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# FINANCIAL TIMES

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## World News

### Salvadorean president returns home terminally ill

Salvadorean President Jose Napoleon Duarte met President Reagan before returning home after a 40-day stay in the US for treatment of terminal cancer.

Doctors operated on Mr Duarte's stomach tumour on June 7 but found that the cancer had spread to his liver. They said it would kill him within months.

#### Dutch barge blast

An explosion on a Dutch barge killed one passenger at a lock and injured 15 in West Germany's Brunsbuttel harbour at the entrance to the Kiel Canal.

**Sihanouk steps down**

Norodom Sihanouk unexpectedly stepped down as head of the Kampuchean guerrilla coalition and flew to exile in Paris. Page 3.

#### Mexican poll dispute

Opposition parties challenged provisional results giving Carlos Salinas de Gortari and his Institutional Revolutionary Party an overwhelming victory in Mexico's election. Page 22.

#### Angola talks reconvene

A fourth round of talks aimed at ending Angola's civil war and achieving independence for Namibia got under way at a venue near New York. Page 3.

#### Africa strike vote

Black metalworkers in South Africa's second largest trade union Numsa have voted with a majority of 57 per cent to back a nationwide pay strike.

#### Israel shuts schools

Israeli authorities closed six West Bank schools and threatened to shut more after widespread violence in which troops shot dead two Palestinian teenagers.

#### Bologna trial ends

Three men and a woman were sentenced to life imprisonment for planting a bomb that killed 10 people at Bologna railway station in 1980. Page 2.

#### Spain-Italy accord

The Spanish and Italian Prime Ministers pledged to increase political and military co-operation in the Mediterranean at a one day summit in Rome.

#### Shultz 'plot foiled'

Malaysian police arrested a 19-year-old youth in possession of a home made petrol bomb apparently aimed against visiting US Secretary of State George Shultz. Philippines talks, Page 22.

#### Afghan fighting tops up

Moscow said rebels were preparing to capture the town of Spinbadak, on the Pakistan border, in an 'upsurge of fighting' as Soviet forces withdraw.

#### Greek air confrontation

Greek air traffic controllers, banned from striking, began refusing to eat or sleep in support of demands for better working conditions and higher pay.

#### Haiti shooting

One of Haiti's leading human rights campaigners, lawyer Lieutenant Joseph, has been shot dead, private radio stations said.

#### FINANCIAL TIMES PRINTS IN FRANCE

The Financial Times today started printing at Roubaix, adjacent to Lille in northern France, to improve distribution in Europe.

The Nord-Eclair press at Roubaix, a plant continued printing by Frankfurter Zeitungsdruckerei in Frankfurt, where capacity related to distribution deadlines has been overtaken by the FT's rapidly increasing sales. These rose by 13 per cent in continental Europe during last year alone.

The Roubaix centre has an

## Business Summary

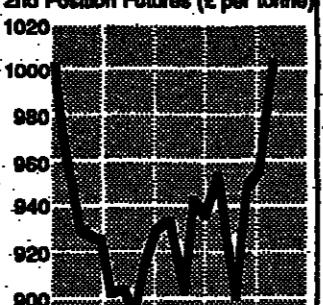
### Perot deal to cut US postal costs suspended

ROSS PEROT, Texas corporate maverick, has seen his controversial contract to find huge cost savings in the US Postal Service suspended, following strong criticism by Congress and competition. Page 23.

MGM/UA Communications, Kirk Kerkorian's US film studios company, is planning to raise about \$200m from outside investors. Page 23.

**COCOA**: The second position futures contract closed above \$1,000 a tonne for the first time since March 1. It rose \$13 to

#### 2nd Position Futures (\$ per tonne)



\$1,003. Prices were higher during the day but they fell back on trade talk of sales from Ghana. Page 32.

**LONDON**: A stronger dollar and favourable press reports helped cheer international favourites but the market was weak after news of last month's disappointing rise in domestic producer prices. The FT-SE 100 Index closed 0.4 down at 1,876.8.

**TOKYO**: Selective buying took share prices slightly higher but nervousness over falls in the bond market hit trading liquidity. The Nikkei average ended 55.91 points higher at 27,885.99 while volume totalled 1.08m shares. Page 44.

**WALL STREET**: After Friday's sharp falls on overheating worries, both equities and bonds consolidated. The Dow Jones Industrial Average closed up 5.16 at 2,311.31. Page 42.

**DOLLAR**: Closed in New York at DM1.8420, Y133.07, SF1.5810 and FF1.1975. It closed in London at DM1.8451, Y224.75 (Y224.75), SF2.5825 (SF2.6025), FF10.4225 (FF10.5225). Page 33.

**STERLING**: Closed in New York at \$1.6915. It closed in London at \$1.6875 (\$1.7020), DM3.1175 (Y133.07), Y224.75 (Y224.75), SF2.5825 (SF2.6025), FF10.4225 (FF10.5225). Page 33.

**DIXONS**, UK's leading electrical retailer, and Best Denki, Japan's largest mass retailer of consumer electronics are holding talks on possible collaboration. Page 23.

**WERELDHAVE N.V.**, the second largest Dutch property company, has acquired a 10.4 per cent stake in UK group Peaches Property Corporation. Page 23.

**SEA CONTAINERS**, Bermuda-based marine container lessor and ferries operator, expects per share earnings for the year to exceed \$5.67 compared with \$2.16 last year. Page 23.

**GOLDCORP Holdings**, New Zealand bullion dealer and property developer floated on local stock markets last year, has gone into receivership. Page 26.

**REED INTERNATIONAL** is raising nearly £220m (\$1.04bn) by selling its European paper and packaging business to its management.

The sale to a new company, Reedpack, completes the disposal of Reed's non-publishing interests announced in May. Last month Reed agreed to sell its North American paper business for £28m.

The management buy-out, second in size in the UK only to the MFI buy-out last November, is unusual in that the heavy debt being taken on will not be rapidly repaid through disposals or from cash flow.

The company will instead continue its high level of capital expenditure, with plans to spend more than £200m over the next five years. Its borrowings will remain high until the company goes to the stock market in three

### Reagan approves compensation for Iranian families

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan has approved the payment of compensation to relatives of passengers killed when an Iranian civil aircraft was shot down by a US cruiser in the Gulf on July 3.

Mr Reagan signalled the decision yesterday on the eve of a UN Security Council debate on the disaster, while he was answering reporters' questions at the White House.

Shortly afterwards Mr Martin Fitzwater, the White House spokesman, said Mr Reagan had decided to approve compensation in order to "ease the hardship of the families". He could not say how much might be involved, but he stressed that no money would go to the Iranian Government.

Mr Fitzwater said the US was offering compensation on a "vol-

untary basis, not on the basis of any legal liability or obligation", adding that "responsibility for this tragic incident and for the deaths of hundreds of thousands of other innocent victims as a result of the Iran-Iraq war lies with those who refuse to end the conflict." Congressional approval of the payments might be needed.

Mr Reagan's decision was interpreted as in part designed to mitigate criticism of the US for downing the Iranian aircraft.

Left unresolved, the emotionally charged issue of compensation for the passengers' relatives could only have further damaged US standing internationally.

Iranian officials, who will call for condemnation of the US at the Security Council, clearly intend to use the occasion to lan-

guish the US before an international audience.

The US decision may also represent an effort to bolster the position of those members of the Iranian Government such as Mr Ali Akbar Hashemi Rafsanjani, the House Speaker, who have been arguing against any military retaliation against the US and are believed to favour cautious efforts to rebuild relationships with the US.

However, the decision runs the risk of prompting a backlash against the Mr Reagan in the US, where hatred of Iran is deeply entrenched.

Polis show that public opinion supports the decision by the Captain of the USS Vincennes to defend his ship from what he judged to be a hostile aircraft,

and is opposed to paying compensation.

The Administration itself has cast doubt over important elements of the initial account of the incident, given to reporters by Admiral William Crowe, Chairman of the Joint Chiefs of Staff, hours after the tragedy.

The Gulf war, the continuing hostility between the US and Iran and the fact that the Vincennes had just been involved in a fire fight with Iranian patrol boats, are all seen as contributing factors.

But there is a growing consensus that the inability of the computerised system for identifying possible attackers to distinguish between a civilian and a military aircraft was the proximate cause of the disaster.

UN confrontation, Page 4; Editorial comment, Page 20

Riyadh's increasing appetite for weaponry, Page 22

### Terrorist attack on Greek liner kills three

By Andriana Ierodiakonou in Athens

THREE PEOPLE died and about 50 were injured yesterday when a small team of unidentified terrorists attacked a Greek cruise boat carrying about 470 foreign and Greek tourists with machine guns and hand grenades.

The gunmen reportedly opened fire on passengers at 14.48 local time. At that time, the ship, the City of Poros, was 3 miles east of the island of Aegina, bound for port approximately one hour away. Aegina is a popular one-day swimming destination for Athenians.

Many of those on board, about 90 per cent of whom were reportedly foreign tourists including British, Swedish, French and Americans, were said to have leapt overboard in terror as explosions and then a fire swept the ship.

The gunners, who numbered three to four, reportedly fled in a yacht.

The three victims, two men and one woman, had not been identified last night.

Survivors were picked up by the Greek coastguard and transported back to a Piraeus hospital, while the damaged vessel was towed back to port.

The City of Poros had sailed from the Trocadero area of Athens at 9 o'clock yesterday morning for a one day cruise.

It remained unclear last night whether the terrorists had boarded the ship disguised as passengers or had forced their way on board from another vessel sometime during the day.

The incident followed the blowing up earlier in the afternoon in the Trocadero area of a private car killing two passengers.

According to police, the car had been rented from a local car hire firm on July 4 by a 36-year old man bearing a Lebanese passport in the name of Amoud al Hamid. The debris of the explosion revealed the presence in the car of an automatic weapon, a handgun, quantities of bullets, hand grenades and dynamite.

The combination of the two incidents, along with the murder by terrorists earlier this month in Athens of the US Defence Attaché, are likely to cast a pall of gloom over the prospects of the Greek tourist trade, one of the country's major sources of foreign exchange. In 1985 Greece lost millions of dollars in tourism revenue when, following the bombing of an TWA passenger jet bound from Athens to Rome, the United States imposed a three-week travel advisory against Greece.

UK producer prices, Page 6

### Gorbachev offers deal on cuts in fighter aircraft in Europe

BY CHRISTOPHER BOBINSKI IN WARSAW

MR MIKHAIL GORBACHEV, the Soviet leader, yesterday offered a pan-European treaty to withdraw Soviet fighter aircraft from eastern Europe, if Nato would drop plans to move its F-16 fighters from Spain to Italy, and propose a pan-European summit in

Reykjavik, that is no forum in which such a conventional arms proposal could be discussed. The Western allies are waiting for talks in Vienna to define a mandate for Conventional Talks, and until this is done talks cannot begin.

He reiterated his proposals for conventional arms cuts in Europe. These calls for an exchange of information leading to the ironing out of "asymmetries" between Nato and Warsaw Pact forces, a withdrawal by each side of 500,000 soldiers, and the scaling down of offensive capacity on either side of the Iron Curtain.

At the US-Soviet summit in Reykjavik in October 1986, in the Soviet view, the ground was laid for last December's treaty in which the superpowers agreed to eliminate ground-launched medium-range missiles.

Mr Gorbachev's proposal, for conventional arms cuts in Europe, was welcomed by the US. It has called for a comprehensive plan to include allies and a wide variety of weapons systems. While the Soviet Union has repeatedly mentioned aircraft as an area of Western superiority, the West has yet to concede that aircraft should be part of a conventional forces negotiation.

Armenians rebuff back-to-work calls, Page 2

### Mrs Thatcher's class in civics

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN LONDON

MRS MARGARET THATCHER, the British Prime Minister, yesterday gave what she clearly hoped were millions of Soviet listeners to the BBC's Russian service a beginner's course in freedom and democracy as it is practised in the British Isles.

Having established that she had been given a green microphone to speak into, while her Russian-speaking interviewer had a red one, the Prime Minister answered the questions of

ordinary Soviet citizens during a 55-minute phone-in.

Slowing down what she described as her normal House of Commons talking speed to a deliberate crawl, Mrs Thatcher replied to callers in Moscow, Leningrad, and Lvov, who asked her about perestroika, the shooting down of the Iranian airliner, who did the cooking in Downing Street and her relations with Queen Elizabeth.

No-one explained how the

Soviet telephone system, so far untouched by restructuring, managed to produce the millions of people phoning, in one case, from a public telephone box in Moscow. But the BBC's External Services said in a press release that in recent months more than 100 calls a day have been reaching the Soviet service in London from regular listeners all over the Soviet Union.

At all times Mrs Thatcher

Continued on Page 22

stake, rising to 20 per cent if certain performance targets were met. Another £15m would come from six venture capital funds and the rest would be spread among other institutions.

Reedpack, which has a net asset value of £193.7m, has three trading divisions:

• The packaging businesses, which contributed 40 per cent of the £22.3m trading profit made in 1987-88, include corrugated cases, cartons and plastic packaging.

• The European paper division (36 per cent of trading profits) makes paper in the UK and the Netherlands.

• The trading division (24 per cent of trading profits) which includes Spicers office supplies and Maybank, a waste paper collector.

## EUROPEAN NEWS

David Barchard on the diplomatic moves of Turkey's president to win wider recognition for his country within the EC

## Evren state visit sets the seal on a peculiarly Turkish career

PRESIDENT Kenan Evren's state visit to London, which begins today, is seen by Turks as a key move in their country's bid for wider acceptance in Western Europe and eventual full membership of the European Community.

For the 70-year-old president, the visit to London is his first as head of state to a Western European capital and comes only two weeks after a similar trip to the US.

Together, the two visits are intended to set the seal on his personal achievement in restoring stable multi-party civilian rule in Turkey after the country's descent into the political and economic chaos of the 1970s.

President Evren's career has been a peculiarly Turkish one and his role in his country's life still tends to be misunderstood abroad, where his evolution within a few years from a stern military ruler into a genial statesman and civilian head of state has few parallels.

Born in 1918 in a small western Anatolian town of Alashan, Mr Evren was educated in army schools and remains deeply imbued with the outlook of Turkish army officers of his generation.

He was promoted in the late 1970s to the powerful post of head of the armed forces and thus took the helm in 1980, when Turkey's civilian institutions broke down for the third time in as many decades. For three years he ruled the country with unlimited powers at the head of a five-man council of generals.

In 1983 he permitted semi-free elections and power passed to the victorious Motherland Party and the present premier, Mr Turgut Ozal. The party's hold on office was confirmed in the fully democratic elections last year.

During this period President Evren has been generally applauded for allowing a steady enlargement of the political process and his readiness to work as head of state with former oppo-

nents such as two veteran politicians, Mr Süleyman Demirel and Mr Bulent Ecevit, with whom he was at loggerheads during much of his stay as military ruler.

The one thing you have to remember about President Evren is that he is a Turk. "Is that the 1980 military revolution would have undoubtedly been a much much harsher affair without him and the return to civilian rule would probably have come much later and in his role as civilian president he has mapped out a national position for himself as a consensus figure which no one could have foreseen five or six years earlier."

That role depends largely on maintaining a national consensus on issues which the president believes could threaten the constitutional order he established in 1982.

He has thus, for example, decided himself, formerly opposed to the establishment of a communist party in Turkey for the foreseeable future, but also

acted as bulwark against Islamic revivalism. His influence is thought to have kept Mr Mehmet Necati, leader of the Islamic faction in the Motherland Party, out of the cabinet.

The president has also campaigned - like his predecessor

in the street.

His relations with Mr Turgut Ozal, the Prime Minister, and the Motherland Party as a whole, are best described as workmanlike.

In 1983 President Evren made it unmistakably clear that his preference in the general elections

His hallmark is a paternalistic geniality, displayed to advantage in regular tours of inspection across the country

Kemal Ataturk, the founder of the Turkish Republic, against the revolution of the year by women in rural areas and appeared on television publicly breaking the fast during the Muslim holy month of Ramadan.

His hallmark is a paternalistic geniality, displayed to advantage in regular tours of inspection across the country when he has shown himself genuinely concerned with social problems and possessed of an acute knack for expressing the views of the man

that year was for one of the other three parties which he had permitted to enter the race.

The episode has been almost entirely forgotten, though a certain distance is still discernible between the two men. During the early years of Turkey's return to civilian rule the president may have acted as the conduit through which the views of the military were relayed to the civilian government.

That role has largely faded, as the military have withdrawn into

the background and no longer play an active part in Turkish politics.

A more crucial short-term test will come in November next year when the president's seven-year term of office ends. In 1973 and 1980 Turkey was plunged into apparently insoluble crisis by its inability to choose a head of state - selected in Turkey by a two-thirds majority in parliament rather than by direct popular vote.

There is no obvious consensus candidate in sight to succeed the president next year - but the Motherland Party probably has the parliamentary strength to ensure the election of its candidate.

These long-term preoccupations, however, come second to the message which will underlie President Evren's visit to the UK this week. This is likely to show Turkey's key role as a Nato military ally needs to be consulted by deepening the ties between the country and Britain and the European Community for the long-term security of both sides.

In the event, the main outlines of the system have proved more flexible than we thought in 1982 but also more workable.

In the long term the test of the system President Evren established will be whether or not Turkey has another military coup. Few Turks expect one in the next few years, with the relative political stability of the Motherland Government and the social and political problems which propelled Mr Evren into power in 1982 showing no signs of a comeback.

He wants to attract Western investment and show that his pro-Western policies can secure a more political and economic future for Turkey.

As yet, Malta's problems, including deep political divisions and stagnated economic growth, show no sign of receding. Indeed, the opposition appears to be adopting a more obstreperous stance towards the Government's political and economic programme.

Only last weekend, Dr Misu Bonnici removed his objections to the construction of a large power

## US visit emphasises Malta's tilt to West

By Geoffrey Grimes in Valletta

DR Eddie Fenech Adami, Malta's prime minister, is visiting the United States, underlining the pro-Western tilt of a Government which came to power a year ago after 16 years of Labour party rule.

Dr Carmelo Mizzi Bonnici, the Labour leader, has called the trip "a waste of time". The Christian Democratic Prime Minister, who meets President Reagan at the White House tomorrow, needs to prove his domestic opposition wrong.

He wants to attract Western investment and show that his pro-Western policies can secure a more political and economic future for Turkey.

As yet, Malta's problems, including deep political divisions and stagnated economic growth, show no sign of receding. Indeed, the opposition appears to be adopting a more obstreperous stance towards the Government's political and economic programme.

Only last weekend, Dr Misu Bonnici removed his objections to the construction of a large power

plant at the fishing village of Marsaxlokk, pleasing supporters at the ready to impede the plant physically from being built.

Fenech Adami: policies on trial

EUROPEAN Community finance ministers yesterday signalled their intention to hold a wide-ranging re-appraisal in two months time of the EC Community's current proposals for "approximation" of indirect value added and excise taxes.

Mr Panayiotis Rousmelios, the Greek Economics Minister, said the main task for finance ministers at their planned two-day meeting in Crete in mid-September would be to try to answer some of the questions about VAT and excise taxes raised at yesterday's meeting in Brussels. Greece assumed the EC presidency on July 1.

The finance ministers also adopted a "common position" as expected, on a move to encourage divestment of equity stakes in publicly-quoted companies, to lessen the threat of surprise raids.

The draft directive, which must be considered now by the European Parliament before coming back to the Council for final approval, requires disclosure at the merits or demerits of his proposals to bring VAT rates within two bands of 4-6 per cent and 14-20 per cent, and to set three single excise duty rates.

It is hoped that, on the details of the principle, of these proposals could be cleared up at the Crete meeting.

But EC ministers also received yesterday a list of tax questions prepared by a working party of their national officials, which in part raised the issue of whether the Cockfield tax "approximation" approach was necessary in the first place.

The list of questions included the possible alternatives - either present border controls on commercial traffic to be abolished or considerably reduced and shifted to firms within a country, or VAT harmonised with border controls abolished to be left to member states alone.

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## OVERSEAS NEWS

## Sihanouk quits as Kampuchean resistance leader

BY ROGER MATTHEWS IN SINGAPORE

THE IMPROVING prospects for a negotiated settlement to the Kampuchean crisis received an apparently serious reverse yesterday when Prince Norodom Sihanouk announced that he was quitting as leader of the resistance movement and would go into exile in France.

Although the prince has a well-earned reputation for unpredictability and once before this year made an "irrevocable" decision to abandon his leadership role, his announcement yesterday in Bangkok still shocked the six members of the Association of South East Asian Nations which foreign ministers had last week been openly optimistic about progress.

Prince Sihanouk offered no explanation for his sudden decision which came in the wake of an agreement to gather all the parties to the Kampuchean conflict at informal talks in Indonesia in about two weeks' time.

Mr Ali Alatas, the Indonesian Foreign Minister, said at the weekend that he hoped the two-stage talks would begin at Bogor, outside Jakarta, on July 25.

During the initial phase the Kampuchean national resistance, which includes Prince Sihanouk's faction and the Khmer Rouge, would meet face to face for the first time with the Vietnamese-backed Heng Samrin regime. Representatives from Vietnam, Laos and the other ASEAN countries would join in later.

Mr George Shultz, the US Secretary of State, who yesterday ended a three-day visit to Indonesia, said he did not know how to interpret the prince's decision, but added that during talks in Bangkok last week the Kampuchean leader had seemed dedicated to the search for a settlement.

A possible clue to Prince Sihanouk's announcement may lie in a statement he made at the weekend following secret talks with Mr Khieu Samphan, the nominal leader of the Khmer Rouge. The prince reported that the Khmer Rouge - which under the leadership of Pol Pot had devastated Kampuchea in the years from 1975 to 1978 and led to his last word on the issue.

It is much more likely that the prince is again using the resignation weapon as a negotiating tactic and that before too many weeks pass he will again be persuaded to resume his central role.

**Hong Kong's merchandise trade increases by 28%**

BY DAVID DOOWELL IN HONG KONG

HONG KONG'S merchandise trade leapt by 28 per cent in the first five months of this year, with most of the increase coming from increasingly close manufacturing links between the British territory and mainland China, according to figures released yesterday by the territory's Census and Statistics Department.

Domestic exports for the period from January to May rose by 12 per cent to HK\$7.5bn (35.5bn), while re-exports, which overlook domestic exports in value terms in November last year, leapt by 45 per cent to HK\$3.5bn. Total exports thus amounted to HK\$12.4bn. Imports rose by 27 per cent to HK\$17.3bn, leaving visible trade with a deficit of HK\$5.1bn.

The long-predicted slowdown in domestic export growth is due in almost entirely to stagnant sales



Sihanouk: exile in France

## Kinnock denounces violence by ANC

By Victor Mallet in Lusaka

THE LEADER of the British Labour Party, Mr Neil Kinnock, yesterday met exiled South African and Namibian nationalists in Lusaka and emphasised his opposition to violence in the fight against the South African Government.

Recently both the African National Congress (ANC) and the South West Africa People's Organisation (Swapo) seem to have changed their guerrilla war tactics, targeting some civilians as well as attacking security force personnel and strategic installations.

If such fresh tactics adopted by ANC and Swapo hardliners are endorsed, they are likely to embarrass the moderate European and American supporters of the two national movements.

"The pursuit of the path of violence remains in my view unproductive," Mr Kinnock said at the end of the first leg of a 12-day tour of southern Africa.

"There is little product other than tragedy from the pursuit of the violent road by the ANC, despite all the pressures."

President Kenneth Kaunda of Zambia, a one-party state, welcomed Mr Kinnock personally and both men voiced support for economic sanctions against South Africa. Mr Kinnock called on the British Government to release \$30m of aid withheld last year because of Zambia's refusal to deal with the International Monetary Fund.

Mr Alatas said after hearing of the prince's decision that it did not automatically mean the planned talks would be abandoned as the invitations had been issued to factions and not to individuals.

In the absence of the prince the talks would lose much of their significance as he is widely viewed as the only immediately acceptable leader of an independent Kampuchea. Given Prince Sihanouk's strong desire to return to his native country and growing indications that Vietnam may be bowing to pressure to withdraw, it is most improbable however that he has spoken his last word on the issue.

It is much more likely that the prince is again using the resignation weapon as a negotiating tactic and that before too many weeks pass he will again be persuaded to resume his central role.

**Angolan talks start in US**

THE FOURTH round of talks designed to end Angola's civil war and implement a UN plan for the independence of Namibia (South West Africa) got under way yesterday at an undisclosed venue near New York, writes Michael Holman.

Senior government officials, including military officers from Angola, Cuba and South Africa, are meeting under US chairmanship.

US officials hope the delegates will be able to agree on a broad statement of principles, which would include the terms and timetable for a withdrawal of South African troops from southern Angola and Namibia, and the departure of more than 40,000 Cuban soldiers from Angola - moves which would pave the way for Namibia's independence.

**Correction**

On July 6 a report on South African mine wages converted £350 to \$200, using the financial rand. It should have been the commercial rand, giving a conversion of 228.



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Robert Thomson reports on an experiment to bring prosperity to eastern China

## Chinese reformists tackle the poverty gap

THE "Long Live Chairman Mao" slogan daubed in metre-high characters on buildings and walls have been slow to fade in Guiyang, a south-western city haunted by the Communist Party's past mistakes and troubled by its present poverty.

Far from the economic showcases of China's prosperous east, Guiyang, capital of Guizhou province, is attempting to lead 30m people into the "new China", 7m of whom still have insufficient food and clothing. Conquering the poverty gap that has left a large hole in the ideology of reform, central government has chosen Guiyang for two experiments which could become models for other deprived areas in central and western China.

Under present policies non-state enterprises, the collectives and individual businesses are supposed to be on the rise and a few thriving areas in the east, non-state has overtaken state production. In Guiyang, non-state accounts for only 11.5 per cent of output and the figure is much lower for the province, while non-state output rose only 1.3 per cent last year.

The first experiment is supposed to change all that. In Anshun, a city of 200,000, the multiple ownership experiment will assist the non-state sector to overcome the problem of finding raw materials and to break free of the stifling old boy bureaucratic network that has strangled newcomers.

Buying raw materials is a problem throughout the country, but particularly so in impoverished Guiyang, where few companies can afford to bargain for needed goods at market prices 300 per cent higher than the set prices available to state-run companies.

Now, the Government is prepared to subsidise materials purchased by private enterprises and will give them a three-year tax holiday and allow them to set prices free of state controls.

Another sensitive concession in Anshun is to encourage technicians and the educated to leave their state jobs for non-state futures. In Peking, the Government has been confronted by a brain drain from universities to a large advertisement by the state insurance company in downtown Guiyang shows a woman, incense sticks in hand, kneeling in front of a statue of Buddha and praying for good fortune. The statue replies: "It's no good praying to me, you should take out an insurance policy."

If Anshun is to become a model, the experiment must overcome the resistance of conservative cadres, who have embraced what reformist officials call "the two not afraid". Officials should not be afraid to ignore party policies which they do not like and should not be afraid to call this brand of socialism by its true name - capitalism.

A spokesman for the Guiyang Commission for Economic Restructuring conceded that ideology was a problem, explaining that while the leftists blamed for the cultural revolution's chaos had gone, leftist influence remained. "People here are not so open-minded because Guiyang has not carried out as far as the policy of opening to the outside world, so they do not understand concepts such as the commodity

market," he said. "They are still under the influence of traditional Maoist ideas." In Guiyang, the chosen region, suffered from the excessive ideology of the Maoists past when faithful peasants, urged to "take grain as the key link", drained a lake to grow grain although the soil and altitude were unsuitable, and the crops withered.

In coming weeks, central government is expected to announce a plan to pump millions of dollars into Bijie, where officials will attempt to balance economic

development with environmental protection and to encourage farmers and rural industries to break away from the state system.

Party officials in Peking argue over the widening gap between east and west, but the mayor of Guiyang, Wang Shou, is confident that his region's time will come - though he is not sure when. "It is hard to say when the west will be the most important part of policy but, in the meantime, we are active, not passive."

Mr Wang is clearly an active mayor, emphasising that he and the city have a "sense of urgency", yet he realises that other officials do not share that enthusiasm.

The ideological problems stem mainly from the influence of traditional ideology. Generally speaking, cadres agree with the policy of reform and opening to the outside world, but when concrete measures are being implemented, then the traditional ideology appears.

## Police release 52 Tibetan lamas

## Iranians stage demo

BY ROBERT THOMSON IN PEKING

CHINESE POLICE yesterday released 52 Tibetan lamas held in custody since a bloody pro-independence protest in Lhasa, the Tibetan capital, in early March. Police had given no details of the number of Tibetans detained after the protest on the final day of a major prayer festival and an unknown number of monks and civilians are apparently still in custody.

The release of the monks comes only a few days before a visit to the region by Mr Bill Hayden, the Australian Foreign Minister, who said yesterday that he had discussed human rights issues with Chinese officials but would not criticise the situation

in Tibet, which he said had improved in recent years.

The released lamas were returned to three monasteries - Sera, Ganden and Drepung - and according to Yuan Ching Quan, director of the Lhasa Public Security Bureau, who had shown them the constitution and criminal law while in custody.

"In accordance with the Communist Party policy, we decided to deal with them leniently, though they committed crimes," Mr Yuan said.

The officer said investigations were continuing into the activities of other suspects but gave no details. Police had claimed that about 300 officers were injured in the March protest, and one was killed. It is expected that the alleged instigators will be more harshly treated by the police, who said the monks released yesterday "studied the constitution and criminal law" while in custody.

The Chinese Government has been embarrassed by the spate of protests and annoyed by increasing international attention on the Tibet issue. Chinese officials told Mr Hayden yesterday that their willingness to allow a group of journalists to Tibet was proof that they had nothing to hide.

The marchers shouted with delight as they set fire to two American flags and tossed the bare poles into the embassy compound and the residence of Mr Winston Lord, US ambassador.

Tempers rose when the marchers were unable to hand in a letter at the embassy because no one came out to receive it.



If you're planning your ADR registration, follow Jaguar's lead.

When a company with a heritage like Jaguar's decided to issue ADRs in the US, you might have expected it to head straight for one of the traditional stock exchanges.

Instead, Jaguar chose to go for a listing on NASDAQ - the screen-based market of the National Association of Securities Dealers.

Why? Was it because NASDAQ is America's fastest growing stock market and has become - only sixteen years after its launch - the third-largest equities market in the world?

Was it because NASDAQ's electronic technology (so successful that it provided the model for London's new SEAQ system) makes it a highly efficient, liquid and well-regulated market?

Was it because NASDAQ's system of competing market-makers can offer issuers sponsorship, sales support and research coverage - something that cannot be provided by the single specialists on the traditional exchanges?

Or was it even that, since most of NASDAQ's income is derived from the sales of its price quotation

information, introduction and listing costs are a mere fraction of those on other exchanges?

Whatever the reasons, Jaguar is not alone in thinking them compelling ones.

Two out of every three ADRs listed in the US are traded on NASDAQ.

NASDAQ issuers include companies of the calibre of Beecham, Cadbury-Schweppes, Volvo, NEC and Nissan.

And over 1000 US companies who have met the financial requirements for listing on the New York Stock Exchange have chosen to stay with NASDAQ.

For full information on NASDAQ and the advantages it offers European companies seeking wider exposure and access to new capital markets, contact Lynton Jones, Executive Director Europe, NASDAQ International, 43 London Wall, London EC2M 5TB. Telephone: 01-374 6969 or 4499.

**NASDAQ**  
INTERNATIONAL

## AMERICAN NEWS

## US and Iran prepare for confrontation at UN

BY OUR UN CORRESPONDENT IN NEW YORK  
AND ANDREW GOWERS, MIDDLE EAST CORRESPONDENT

THE US and Iran will be toe to toe in the UN Security Council today as the latter seeks condemnation of the shooting down this month of an Iran Air passenger aircraft by the American cruiser *Vincennes*, with the loss of all 290 lives on board.

Although Iran called for an "urgent" meeting of the 15-nation council, Tehran was evidently prepared to wait for the UN Secretary-General, Mr Javier Perez de Cuellar, to return to New York yesterday from visits to Geneva, Stockholm and Oslo.

## Public relations

The delay also gave Iran time for intense private consultations with UN members and for the Foreign Minister, Mr Ali Akbar Velayati, to prepare the case against the US that he will present in person to the council.

Iran is adept at using the UN as a public relations grandstand and there is little doubt that Mr Velayati will be seen often on American television during his

stay.

Ignoring the risks of a US veto, officials in Iran's mission have said they will call for formal condemnation by the Security Council of the American action.

Iran also wants the Security Council to press for withdrawal of the US naval task force from the Gulf and for the launch of an international investigation into the incident.

There is widespread dismay that such a tragedy could have occurred and the American delegation, led by Lieutenant-General Vernon Walters, may prove to be more temperate than usual in its response to Iranian charges.

For their part, the Americans are likely to try to shift the focus of discussion to the UN's failed efforts to end the Gulf war through Security Council resolution 598, which was passed a year ago but has still not been accepted by Iran.

The US and its close allies see a risk that Tehran may try to use the Airbus tragedy to split the Security Council.

## Dukakis hopeful on SA

MR MICHAEL DUKAKIS, who is to be confirmed as the Democratic Party's presidential candidate in the US next week, said yesterday he hoped he could persuade Mrs Margaret Thatcher, UK Prime Minister, to join sanctions against South Africa if he is elected, Reuter reports.

"I hope we can persuade Mrs Thatcher and the British government that, given the tragedy, the pain, the unconscionability of apartheid, we have to take action as an international community," the Massachusetts governor said on BBC television.

Mr Dukakis has said he would put South Africa on the US government list of terrorist states.

Mrs Thatcher has strongly opposed comprehensive sanctions against South Africa.

Asked whether he felt daunted about dealing with the Prime Minister, a staunch ally of President Reagan, Mr Dukakis said: "No, I'm looking forward to it."

## Kuwait aims to defuse US opposition to arms deal

BY LIONEL BARBER IN WASHINGTON

SEKHU Sead el-Abdullah al-Sa'ad, Kuwaiti Prime Minister, arrived in Washington yesterday for a four-day visit aimed in part at defusing congressional opposition to a \$1.5bn US arms package for the Gulf state.

Sheikh Saad, the most senior Kuwaiti official to visit Washington for 20 years, will also meet senior US officials to discuss the Gulf war, in which Kuwait backs Iraq against Iran.

His arrival coincides with renewed concern in Congress over US policy in the Gulf, following the shooting-down this month by a US warship of an Iranian civil airliner. Last year, after Kuwait made overtures to Moscow, the Reagan Administration agreed to extend US protection to Kuwaiti oil tankers and the Navy's role and exposure have grown ever since.

The proposed \$1.5bn arms deal – which includes advanced F-16 fighter jets and Maverick air-to-ground missiles – has run into opposition in the US Senate, where opponents have com-

plained that the arms could constitute a threat to Israel. On Thursday, the Senate voted to eliminate the Mavericks from the sale.

The Kuwaiti government has said that it will turn to other international arms suppliers if the US weapons package is trimmed. At the weekend, it signed an arms deal with the Soviet Union, and yesterday Mr George Younger, British Defence Secretary, arrived in Kuwait to discuss the possible sale of Tornado aircraft and other military equipment.

Last week, Saudi Arabia, dismayed that several requests for advanced US weaponry have been rebuffed by the US Congress, signed a memorandum of understanding with Britain which covers a prospective multi-billion dollar order for Tornado aircraft and other weapons.

The Kuwaitis are using the Saudi decision to buy British as an extra lever in their negotiations with the US.

## Arrears force World Bank to lift reserves

BY LIONEL BARBER IN WASHINGTON

THE WORLD Bank is expected to approve this month an increase to \$500m of its reserves against possible losses, AP reports from Stockholm.

The bank has raised provisions for loan losses to \$500m from \$100m to cope with small but rising delinquencies on its loans, according to bank officials. A record number of eight countries is more than six months in arrears on repayments to the bank: Nicaragua, Guyana, Liberia, Syria, Peru, Sierra Leone, Zambia and, most recently, Panama.

The bank has been amassing reserves against losses only when a country was two years overdue. Now, the reserves would be set up when a country was six months late.

## Insider fines 'adequate'

THE CURRENT maximum fines in the US for insider trading are adequate, Mr David Ruder, chairman of the Securities and Exchange Commission, said yesterday. Ruder reports from Washington.

In prepared testimony for the House Sub-committee on Telecommunications and Finance, he said he considered the most important criminal sanction to be the five-year prison term.

Under the Criminal Fine Improvements Act of 1987, an individual convicted of insider trading as a felony faces a maximum fine of \$250,000, or \$500,000 for an organisation. A House bill now pending would increase the maximum fine for criminal violation to \$1m.

## US drought aid

May be near

MR ROBERT BYRD, US Senate majority leader, said yesterday he hoped Congress could approve this week a series of measures to aid drought-stricken farmers in the US, Reuter reports from Washington.

President Reagan and Mr Richard L. Lyng, Agriculture Secretary, were to meet congressional leaders late yesterday to discuss legislation.

## Soviet marshal warms US military

BY LIONEL BARBER IN WASHINGTON

MARSHAL Sergei Akhromeyev, the top military officer in the Soviet Union, wound up a five-day tour of the US yesterday which symbolised the recent thaw in US-Soviet relations.

At a news conference in Washington, he and his US counterpart, Adm William Crowe, announced plans for a joint US-Soviet group to study ways of improving communications and avoiding dangerous incidents.

During his visit, Marshal Akhromeyev visited an aircraft carrier, a military base in North Carolina, Virginia and Texas, and an Indian reservation in Oklahoma where he was presented with a

floor-length, black-and-white Indian head-dress by Chief Wilma Mankiller of the Cherokee nation.

The Soviet Union often counts US criticism of its human rights record by pointing to widespread poverty among Indian nations, known as Native Americans, and Saturday's trip was therefore an exercise in American shorter range nuclear missiles.

Closer contacts between the military leaders of the superpowers have evolved out of the four US-Soviet summits which began in Geneva in 1985. In his own mini-declaration of independence, Adm Crowe, chairman of the Joint Chiefs of Staff, reportedly rebuffed State Department attempts to lay down conventional guidelines for his talk with the marshal.

Mr Frank Carlucci, US Defence Secretary, has already met Mr Dmitri Yevsey, Soviet Defence Minister, and will travel to Moscow next month. Adm Crowe will visit the Soviet Union next summer as Marshal Akhromeyev's guest.

The joint military working group will explore past incidents, including the bombing of each other by US and Soviet warships in the Black Sea and the shooting of US Army Major Arthur Michael on Soviet troops in East Germany – for which Moscow has apologised.

## Peru cuts subsidies, raises wages

By Barbara Dorn in Lima

PERU'S Prime Minister, Mr Armando Villanueva, has cut subsidies on a series of basic foodstuffs and raised wages.

The measures, announced on Sunday night in a televised address, are the second instalment of Mr Villanueva's 18-month economic plan, which he began to unveil two weeks ago before the Peruvian Congress.

Describing Peru's economic crisis as grave but not catastrophic, the prime minister detailed a number of product increases such as rice from 20 to 25 cents a kilo, and chicken from 94 to 140 cents a kilo.

He doubled the monthly minimum wage to 6,000 intis (231 from 2,020 intis) and raised the salaries of 447,000 civil servants an average of 57.6 per cent. He did not address such larger economic issues as the fiscal deficit.

Mr Villanueva said that, if the prices for basic foodstuffs which have been highly subsidised by the Government did not increase significantly, "there would be serious shortages". He acknowledged that producers would not operate at a loss and that subsidised food would continue to pour over the borders as contraband.

Mr Villanueva appears to be aiming to correct some of the economic distortions that have brought Peru into a new phase of crisis, but his Government is in a politically difficult position.

## David Gardner profiles two key protagonists in the Mexican electoral crisis

## Rigid man who seeks to bend

IT IS only a slight exaggeration to suggest that Mr Manuel Bartlett Diaz, Mexico's Interior Minister and chairman of the Federal Electoral Commission (CFE), has the future of the country in his hands.

It is his job to ensure a result which keeps the ruling Institutional Revolutionary Party (PRI) and its presidential candidate in the election last week, Mr Carlos Salinas de Gortari, former Planning Minister, in power, while still satisfying the opposition and a sceptical Mexican public that this result is an expression of real votes.

Mr Bartlett, 51, who holds Mexico's key political portfolio, lost to Mr Salinas in the contest to be selected by President Miguel de la Madrid as the PRI candidate. He had the support of a large slice of the PRI's traditional political class – state governors, local party and trade union bosses, and main clowns – who were and are anxious about the predominance of the technocrats around Mr de la Madrid and Mr Salinas.

In the political vacuum which has developed because of the delay in producing the results from the presidential and congressional elections, Mr Bartlett's role has come under fire from all sides.

Salinas' aides speculate that he may be trying to dilute the result, which is to keep the peace. When students took to the streets here last year, for the first time since the 1968 unrest which ended with a massacre by the army in a central Mexico City square, Mr Bartlett advised the government simply to cave in to their demands for an all-university congress to decide on academic reform. He astutely judged that the student movement would lose momentum if real votes.

Mr Bartlett has a mixed image

is volatile, vain and, for a Mexican politician, irreverent.

A political scientist trained at the Sorbonne, Mr Mendoza Lledo was teaching at Toulouse University and then the elite Colegio de Mexico before he was his mid-20s. As a quiescent product of the regime, many observers believed he would diminish the moral capital Mr Cárdenas had built up by his break with the PRL.

Mr Mendoza Lledo has now been

elected to the Senate by virtue of the Cárdenas victory in Mexico City. His immediate role is likely to be that of negotiator between Mr Cárdenas and the government and electoral authorities, but he has only a limited amount he can concede, given Mr Cárdenas' firm insistence that he is Mexico's rightful president-elect.

Tired and abusive at the end of last week, Mr Mendoza Lledo said: "The situation is very, very delicate. The coin is still spinning in the air."

## Oki wins production foothold in France

By Terry Dodsworth, Industrial Editor

SGS-THOMSON, the Italian-French semiconductor company formed last year, is to begin assembling memory chips at its plant at Nancy in Eastern France, using parts produced by Oki of Japan.

The agreement will give Oki, a diversified electronics group with sales of more than \$2bn (£1.17bn), production facilities in Europe for the first time.

It will provide parts to the Nancy plant, which will assemble and test them before distribution through the Oki network.

Volumes involved in the deal have not been disclosed.

The contract will provide the Japanese group with additional production capacity at a time when semiconductor shortages in the memory chip business are becoming increasingly acute.

Sales to the US of \$400m last year are expected by Dominican officials to grow to about \$550m by 1992, with employment in the sector – now at about 40,000 – also growing.

Some producers are said to be making returns of at least 50 per cent on sales, and numerous semiconductor users have also been forced to push up their prices to reflect higher costs.

The deal also underscores SGS-Thomson's ambitions in the memory chip business.

The company has selected this sector as one of its prime targets for expansion following rationalisation of the group over the past year in the wake of the merger.

The memory business is volatile, but SGS-Thomson argues that it needs to participate in this area of manufacturing both because of its significance in developing new production techniques and because it represents a significant part of the total market.

Customers are increasingly demanding chips with a high degree of integration of different memory, logic and processing functions.

To serve this market, semiconductor manufacturers are having to work across a variety of technologies.

SGS-Thomson recently indicated it wanted to set up a production venture in dynamic random access memory chips (DRAMs) in the next year.

## Strategist who wants a change

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Tired and abusive at the end of last week, Mr Mendoza Lledo said: "The situation is very, very delicate. The coin is still spinning in the air."

Although the guaranteed access to the US market has attracted several Far East investors to open garment plants in the Caribbean, the Textile Negotiator's office is not worried the programme will be used to circumvent quotas being imposed on Far East producers.

As long as the garments are made from cloth manufactured and cut in the United States, US officials explained, there was no restriction on the origin of the investment.

The growth in Caribbean garment shipments to the US is likely to continue, following recent revisions of the bilateral agreements between Washington and the governments of the Dominican Republic and Jamaica.

The Dominicans are the largest garment suppliers to the US outside Asia, will be able to increase exports of various categories by between 50 per cent and 400 per cent over the the four-year life of the new pact.

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## WORLD TRADE NEWS

Canute James in Kingston reports on how an unusual accord is altering the pattern of US textile imports

## Caribbean's growing industry sews up a new market



Far Eastern textile factories such as this one in Pusan, South Korea, have been hit by US controls on imports

The US garment companies also gain a competitive advantage by making use of cheaper production costs (mainly labour) in the Caribbean.

In 1985 apparel imports from the Caribbean Basin totalled about \$500m or five per cent of total US imports of these products," said Mr Houston. "By 1987 that figure had jumped 80 per cent to \$1.075bn. In volume terms, apparel imports from the Caribbean Basin now account for nine per cent of total US apparel imports, or triple the volume of US apparel imports from the entire European Community.

"There is virtually unlimited room to grow provided that American fabric is used. This access is particularly noteworthy at a time when the United States is tightening textile quotas in the rest of the world."

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## UK NEWS

## Scottish shipyard wins order for three frigates

By PETER RIDDELL, LYNTON MCALPIN AND IAN HAMILTON FAHEY

THE GOVERNMENT has ordered three Type 23 anti-submarine frigates for the Royal Navy in a deal believed to be worth a total of up to £330m.

Yarrow Shipbuilders on the Clyde in Scotland won the deal and the decision to build all the ships at the shipyard disappointed the other three bidders for the order.

Swan Hunter, the Tyneside shipbuilder, had expected to build one of the frigates and said last night it would have to make more of its 3,500-strong workforce redundant.

Traders had been invited for up to four vessels. The decision to order only three reflects continuing pressure to remain within the Ministry of Defence's tight overall budget by deferring purchases.

Mr Tim Sainsbury, under secretary for defence procurement, yesterday told House of Commons as he announced the deal that the fourth ship would be included in the next batch competition next year.

This would enable all the yards which tendered this year - which also included Cammell Laird on the Mersey and Vosper Thornycroft on Southampton Water - to bid again. Faced with disappointment expressed by several English MPs, he noted that a number of large orders were in the pipeline for naval support ships.

Mr Sainsbury said that the extra cost of spreading the order among the yards would have been between £15m and £20m.

The minister insisted in the face of recent doubts about the size and capability of the UK's surface fleet that the decision demonstrated "in the best possible way the Government's commitment to maintaining a highly capable escort force of about destroyers and frigates."

Mr Michael Mates, the Tory chairman of the defence committee, welcomed the order but warned that it did not mean the Government was "out of the wood" on its commitment to maintain a fleet of 50 ships. He said that this would mean ordering a further two frigates next year, two more in 1990, three in 1991 and two in 1992 "just to keep

## Businesses Wanted

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CBI president explains his protest over Imro rules to David Lascelles

## Holdsworth makes a one-man stand

"I HAVEN'T gone around on a white charger upholding principles," said Sir Trevor Holdsworth, the president of the Confederation of British Industry, yesterday. He was speaking of his resignation last Friday from the Midland Bank board in protest at the City's investment rules.

His dramatic step highlighted the anger felt by many at the burden of the new regulatory regime introduced for investment banks. But Sir Trevor's action looks increasingly like a one-man protest rather than the start of a big revolt. No one else has resigned in sympathy, and other banks said they had introduced the new regime without incident.

The minister said had four frigates been ordered, the unit price would not have been significantly cheaper. The average unit cost is some £10m below that of the last three ordered in 1986, reflecting competition, the benefits of batch-ordering and improved efficiency and fabrication methods in the yard.

Yarrow has been the lead yard for the Type 23 frigates, with one already built or under construction. Work on the first of the new batch will start in six months, and thereafter at six-monthly intervals. An average of 1,000 men will be employed directly on each vessel at the yard over the next four to five years. More than twice as many again will be employed on sub-contract work on material and weapons equipment.

Vice Admiral Sir Derek Reffell, the controller of the navy, in charge of warship buying, said the £5m payments made by Swan Hunter Shipbuilders, Vosper Thornycroft and Cammell Laird Yarrow Shipbuilders for access to Yarrow's plans as lead yard for the Type 23 frigate programme made no difference to the competitiveness of the bids.

Yarrow was clearly evident yesterday on Tyneside, where 18 months ago Swan Hunter had to sack 825 people after the Government awarded the Belfast yard of Harland and Wolf with a contract to build an auxiliary ship. There was wide belief that the decision was made for political reasons rather than price.

"Job losses are inevitable," said Mr Alex Marsh, Swan Hunter's chief executive last night. How many and when they do will depend on whether other work can be found either from the Government or overseas. The yard has enough work to keep its 8,800 workers employed until Christmas.



Holdsworth: "If I were a full director I could see the point"

Sir Trevor thought this going

to far. Although he supports the aim of the rules, he thought they should not be applied to non-executive directors like himself.

"The non-executive director is there because of his independence. He can't be involved in detail," he said. "If I was a full

director of the bank engaged in day-to-day dealings then I can see the point."

He also objected to being told

that he could not give advice to anyone which was contrary to the interests of Midland bank customers. "I can't know what

customers are," was his comment. His position was further complicated by his other directorships at companies like the Prudential and British Satellite Broadcasting where further conflicts of interest could arise.

"I'd have to tell all these people I'm going to be slightly non-

interested."

Sir Trevor could, of course,

have signed all the pieces of paper and then got on with it as best he could. "But I was taking it too seriously for that." Nor did he think it worth waiting to see whether Mr David Walker, the new chairman of the Securities and Investments Board, would cut back the rule book. "He's not going to change the need to make sure the system is honest. It's all new. I'll have to settle down."

Sir Trevor discussed the problem with fellow directors before quitting, and discovered that his feelings were much stronger. He was not merely irritated, like many of them, by the pettiness of the rules, but also felt there were fundamental issues at stake.

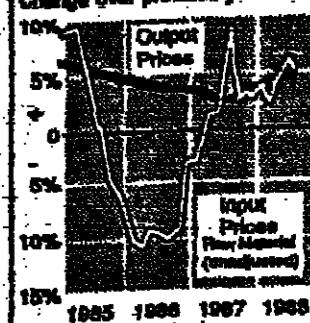
Most strongly, he believed that the position of the non-executive director would be compromised by including him in rules that were designed for regular management and employees.

## Higher raw material costs increase inflationary pressure

By PHILIP STEPHENS, ECONOMICS CORRESPONDENT

### Producer Prices

Change over previous year



Ings and the widening trade gap are likely to intensify the Treasury's concern about upward pressure in prices.

Mr Nigel Lawson, Chancellor of the Exchequer, has acknowledged that his Budget forecast of a 4 per cent annual rate of increase in retail prices in the last three months of this year

now looks likely to be overtaken. Most independent forecasters believe that the fourth quarter rate is likely to be above 5 per cent and a new forecast released yesterday by City of London securities house Goldman Sachs suggests that it might reach 5.5 per cent.

The department's index of producer input prices rose by a provisional 0.3 per cent in June, pushing up the increase over the previous 12 months to 4.6 per cent from the 4.3 per cent seen in May and against the rate of just below 4 per cent at the start of the year.

The latest figures do not in themselves signal a sharp rise in retail price inflation but, taken with the buoyant growth of earnings

and the widening trade gap

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## Barlow auditors told of account worries

By CLIVE WOLMAN

MR JULIAN PILKINGTON, a partner of the accountancy firm Spicer and Oppenheim, who was responsible for auditing the Barlow Clowes UK operations, was approached on different occasions in 1986 by two senior managers of Barlow Clowes acting independently about possible malpractice in the group's client record-keeping.

Last night Mr Pilkington, who is also chairman of the investment business subcommittee of the Audit Practices Committee, the chief UK auditing regulatory body, and Mr Richard Hooper, the senior partner of Spicer and Oppenheim in Gibraltar who was also approached, indicated through a spokesman that they had not interpreted the concerns as warnings.

Mr Bob Willott, another Spicer and Oppenheim partner, said that a meeting took place

in the autumn of 1986 between Mr Pilkington and Mr Robert Possey, one of the three senior managers of Barlow Clowes operations in Geneva who had flown to London.

At the time, Mr Pilkington was in the process of auditing the 1986 accounts of the Barlow Clowes UK company, with which Mr Possey would have had no involvement under normal circumstances.

Spicer and Oppenheim was also the auditor of the Gibraltar-based Barlow Clowes International company.

People employed by the Barlow Clowes Geneva operations have said that Mr Possey used the meeting to propose to the auditors that they should scrutinise the client accounts of both the UK company and the Gibraltar company, in order to reassure clients and staff who were showing mounting concern about how the money was being invested.

According to Geneva staff

Mr Possey also spoke over the telephone to Mr Hooper in Gibraltar giving him a similar warning.

But Mr Willott said last night: "There was nothing in the meeting or the conversations which could be construed as a warning that UK or offshore client monies had gone into private companies rather than gifts."

On Friday, Spicer and Oppenheim said that it had also been approached in August 1986 by Mr Derek Tree, the managing director of the UK operations.

In a meeting with Mr Pilkington, it claims, Mr Tree gave only the vaguest of warnings.

However, Mr Tree has said that he informed Mr Pilkington of his fears that client records may have been falsified so that transactions appeared which had never actually been carried out.

Mr Tree was specifically mentioned by Peter Naylor, who has admitted receiving large sums of money from Barlow Clowes, as the person who might have interfered with the client records.

Last night, Dr Naylor's wife said that he was not speaking to the press on any matter related to Barlow Clowes.

Geneva employees said that they kept in close touch with Mr Tree in this period.

One Geneva employee added that in March 1987, a few days after the Barlow Clowes administration was transferred to Gibraltar, Spicer and Oppenheim's office in Gibraltar was given a more detailed warning about the companies in which the Barlow Clowes client funds were invested.

This too was denied by Mr Willott last night.

If Spicer and Oppenheim, one of the largest City audit firms, is shown to have acted negligently or to have failed in its statutory duties as the auditors of an investment company, it faces the risk of being sued by clients of the collapsed Barlow Clowes empire who have an estimated £138m tied up in its UK and offshore companies.

## Phillips & Drew equities directors made redundant

By RICHARD WATERS

PHILLIPS & DREW, the stockbrokers, has made redundant five out of 49 directors in its equities division in a move which signals the impending merger with the securities arm of its parent, Swiss Bank UBS.

P&D said the redundancies were not prompted directly by UBS but were the result of an internal review of staff. This reflects the fact that the former stockbroking partnership has for the first time adopted control and evaluation systems used by its parent.

The five directors to be made redundant, two of whom were long-standing P&D partners before the UBS takeover, have been joined by two salesmen and one dealer. Although P&D refused yesterday to disclose the names of the directors concerned, it acknowledged that one was Mr Tony Sharp, while the dealer to leave is Mr David Theophilus, a long-serving employee.

In a further move implying greater Swiss control, the appointment of Mr Rudolf Mueller as chief executive of P&D has been brought forward from the beginning of next year to the middle of next month. Mr Mueller is UBS executive vice president in charge of the UK.

The acceleration of the appointment was due to a number of circumstances, including poor appointments at UBS and, in health on the part of Mr Bryce Cottrell, P&D chief executive, rather than concern about the performance of the stockbroker, UBS said.

Since last year's stock market crash there have been numerous reports of greater involvement by parent banks in the running of their independent-minded securities operations. But a member of the P&D equities division who declined to be named said yesterday that the redundancies "were definitely not a heavy-handed move by the Swiss."

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DAIMLER-BENZ GROUP		1987	1986
Sales (in millions of D-marks)		67,475	65,498
Domestic		28,064	27,838
Foreign		39,411	37,660
The Group's Divisions			
Passenger cars		31,472	31,405
Commercial vehicles		19,454	17,755
AEG		11,480	11,070
Dornier		1,589	2,112
MTU		2,832	2,770
Employees (at year-end)		326,288	319,965
Domestic		262,658	257,538
Foreign		63,630	62,427
(in millions of D-marks)			
Personnel expenses		20,670	19,367
Fixed and financial assets		12,902	10,857
Investments		5,251	5,580
Liquid assets		16,106	14,668
Cash flow		7,272	6,956
Net income		1,782	1,767

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We know what we want, but equally important, we also know what is expected of us.



## UK NEWS

## THE NORTH SEA DISASTER

## Wind again hampers Adair clear-up

BY STEVEN BUTLER

HIGH WINDS in the North Sea yesterday again prevented Mr Red Adair, the veteran Texan oilfield fire specialist, and his team of firefighters from setting foot on what remained of the burning Piper Alpha platform after the blast last Wednesday which killed 165 people.

Survivors of the disaster, meanwhile, levelled fresh charges that there were gas leaks on the platform in the days before the blast. Occidental Petroleum, the US group which operates the oilfield, said it had not received reports of gas leaks, although it intended to take account of these reports in its investigation of the incident.

Debris was being cleared from the platform surface by a crane operated from the semi-submersible firefighting rig, the Thanatos. Mr Adair directed the operation from a personnel basket dangling over the wreck, which is tilting at 45 degrees and is covered with oil.

The platform must be cleared before an assessment can be made of the state of the well heads which are still leaking and also before a decision can be made on how to choke off the flow of oil.

Occidental has identified three wells on the platform which are leaking oil. They continued to burn yesterday, although without the flareups which occurred on

Sunday. When the debris is cleared it should be possible to determine whether hardware remains intact on the wellheads which can be used to clamp on devices used for pumping heavy fluids, including concrete, into the well to choke off the flow of oil.

When oil wells are drilled, the wells are filled with drilling mud designed to be heavy enough to balance the pressure of oil in the ground and prevent a blowout.

If hardware at the well head has been destroyed, Mr Adair has brought equipment which can be clamped around the tube itself. After attaching the device, the tube is opened and a gelling compound or water can be pumped in. This is followed by liquid nitrogen which then creates a frozen plug which seals off the well.

If these methods fail, an attempt will be made to squeeze shut the tube. After that, however, pressure in the well must still be reduced. This is to be done by relief wells that are angled into the wells below the ocean floor.

The Kingsworth UK, a semi-submersible drilling rig, yesterday pulled up anchor at the Scipps well template nearby and was expected to be 1,000 meters south-west of Piper Alpha last night or this morning in case the flareups which occurred on



Red Adair surveys the wreck from the Thanatos yesterday

the sea was being monitored but that this had not yet posed a significant hazard.

The Ocean Benroyal was also being redeployed from the North Claymore to 1,500 meters west of Piper for possible drilling into a second well.

Occidental continued to scan underwater around the platform with a remote operated vehicle. It said the area was not likely to be declared safe for divers for several weeks.

The company said that pollution

of the sea was being monitored but that this had not yet posed a significant hazard.

Three unidentified bodies were meanwhile recovered during the night bringing the total found to 20. A further 140 remained missing.

Three more men were discharged from hospital in Aberdeen yesterday while 11 remained under care.

The company said that pollution

## Document issued on response to disasters

BY RICHARD DONKIN

THE HOME OFFICE has issued a discussion document on civil emergencies which may form the basis for a government blueprint on responses to disasters.

The paper, sent to local authorities, emergency services and voluntary organisations, was issued the day before last week's North Sea platform explosion which killed 165 people.

The Home Office said yesterday it was "a horrific coincidence" that it should have gone out in the same week.

The discussion document was drawn up following unmet expectations and recommendations from emergency services and "interested parties" after the disaster at Bradford City football ground, where more than 50 people died.

Other suggestions include legislation to create plans for prospective emergencies, a government department to handle disasters, a minister with direct responsibility for emergency planning, and a permanent centrally staffed casualty bureau using trained volunteers.

The document also suggests that a special telephone service should be set up to receive the alarm of calls during a civil emergency.

The Home Office said responses to the paper would be discussed at a seminar headed by Lord Ferrers in November.

Emergency planning, respond to individual disasters, and disaster procedures with agencies over-see.

Lord Ferrers, Home Office Minister, announced in March that the Government was looking closely at proposals to improve the emergency response to disasters, but said there was no general consensus on how to move forward.

He said, however, that no new system would be introduced before the Government was sure that the existing arrangements for local response had been given full support.

Other suggestions include legislation to create plans for prospective emergencies, a government department to handle disasters, a minister with direct responsibility for emergency planning, and a permanent centrally staffed casualty bureau using trained volunteers.

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## Norwegians wait to sift evidence from Piper Alpha

BY KAREN POSSLI IN OSLO

NORWEGIAN authorities are actively seeking information about the cause of the Piper Alpha disaster.

They want to determine whether changes will have to be made to existing rules and regulations in platform design and evacuation systems and procedures in the Norwegian North Sea.

A senior official with the Norwegian Petroleum Directorate (NPD), the Oil and Energy Ministry, said yesterday, however, that he did not believe any changes were needed to existing regulations based on what was known to date.

In Norway we look at the total system and each individual platform is approved on its own merit. But in every evaluation you undertake, you seek to convince yourself that the system has sufficient built-in mechanisms and checks and balances to prevent an accident from becoming a catastrophe.

In 1978 the NPD sent the Mobil oil company back to the drawing board after rejecting its proposal to use the same integrated (drilling, production, processing, accommodation platform) design for a second Statfjord platform as was used for the first.

At that time it was thought more desirable to have living quarters on a platform separate from the one on which processing and production was taking place. But this was not an explicit demand.

Mobil, which was the operator of the field at that time - Statfjord, the Norwegian state oil company, is now the operator - suffered one year later with a design that had sealed down the production capacity by nearly half and allowed for more open space on the platform to separate the different functions taking place there.

The third platform put in the Statfjord C field, was designed

with even more space considerations.

Platform design trends, based on risk analysis studies undertaken over several years, have been carried over further today.

Present plans by Norwegian oil companies to develop new oil and gas fields by the mid-1990s include integrated production and accommodation platforms.

For the Gullfaks field, Statoil has utilized a torsion design. The configuration where living quarters are sited at the opposite end of the platform to all production facilities. A series of safety barriers, or buffer zones, are featured in the design.

For the first time in history, for the first time, so-called free-fall lifelines. The momentum gained by a lifeline when falling in midair makes it 100 feet away from the platform when it hits the sea. Lifelines, which drop into the sea, allow safe escape routes for fleeing workers from fires aboard the platform.

Taking this design concept even further, there is now a move towards designing platforms which can be operated remotely from oilfield centres or even from land. This not only reduces planning requirements but also the risks to life.

However, these platforms will always have to be visited for inspection.

Statoil has equipped its second Gullfaks platform, Gullfaks B, with fibre optics and remote operating facilities with a view to operating it remotely from the Gullfaks A platform by the turn of the century.

Phillips Petroleum, which was the operator of the tilted Alexander Kielland floating hotel which overturned and killed 123 men in 1980, is also seeking to equip platform facilities with remote operable features.

Amoco is currently developing a small oilfield called Hid and will utilize Norway's first remote operated platform there.

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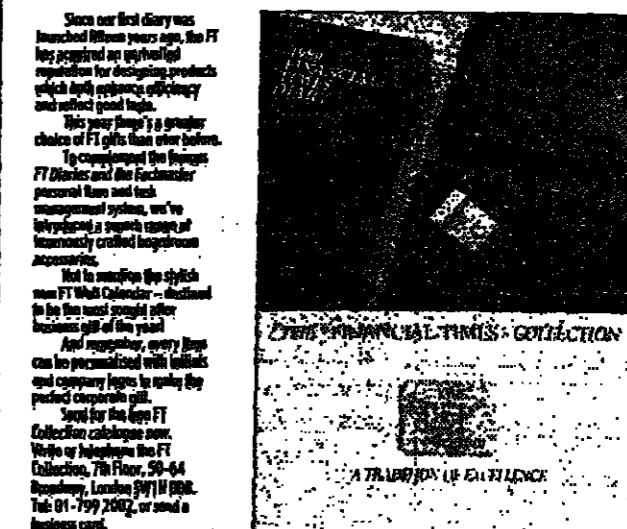
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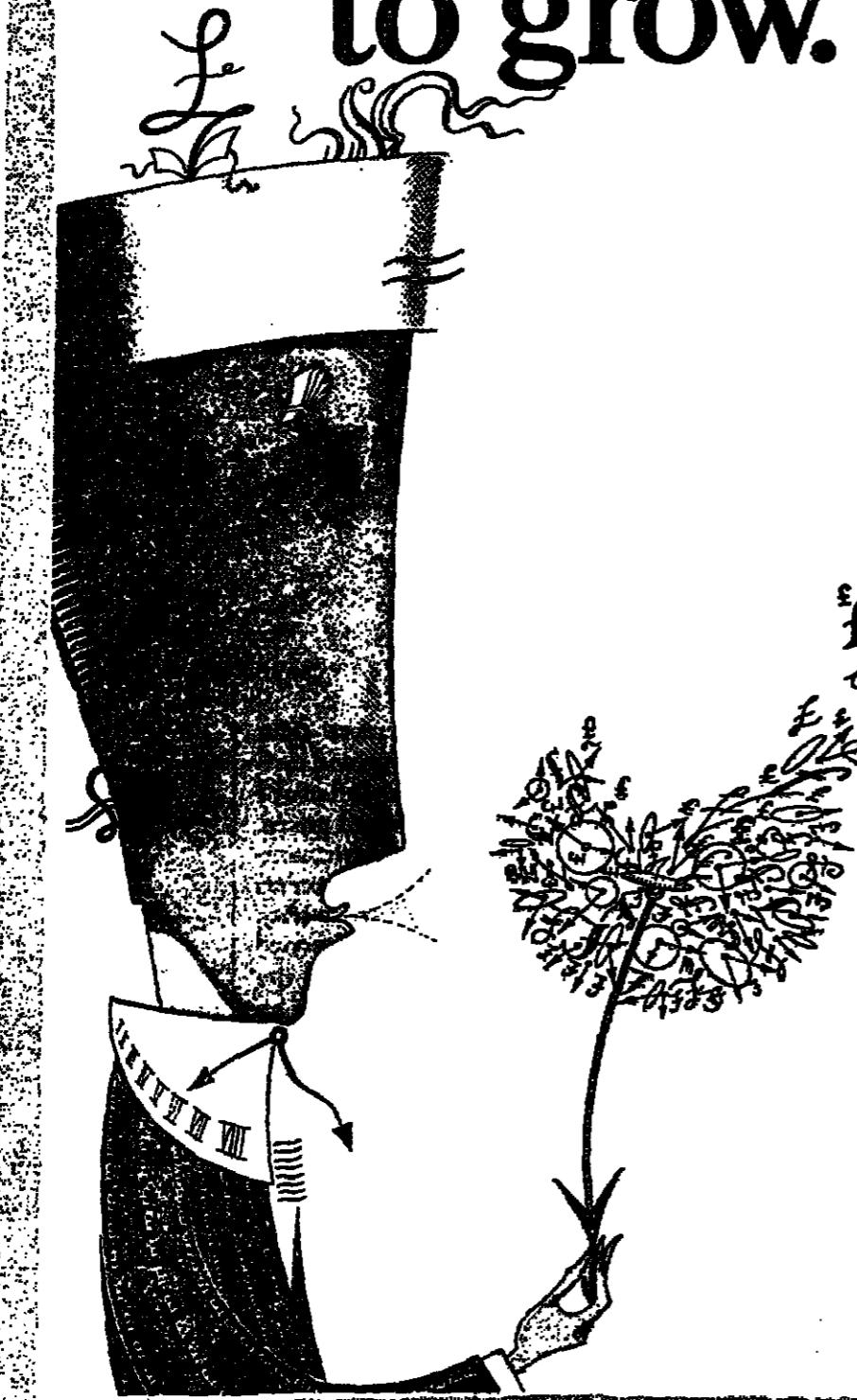
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FORMER GUINNESS CHIEF PROTESTS AT 'INEXCUSABLE' COURT DELAY

## Saunders denied immediate hearing

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MR ERNEST SAUNDERS, former chairman and chief executive of Guinness, the international drinks group, yesterday pleaded unsuccessfully for an immediate preliminary hearing of criminal allegations made against him.

Mr Saunders, who has twice been refused legal aid and was not legally represented, made his plea from the dock at Bow Street magistrates court in London when the case involving more than 100 criminal charges against him and six other leading City of London figures was adjourned until September 26.

Recalling that it had been 14 months since his arrest, he protested about the "inexcusable delay" in bringing the case to trial and asked that a hearing for his commitment for trial should begin immediately.

Mr Saunders faces 40 charges, including 10 alleging the theft of a total of \$21.057m and \$4.5m from Guinness; 10 of procuring the execution of a valuable security; 10 of false accounting; five of enabling Guinness to give financial help for the purchase of its own shares; two of conspiracy to create a false market in shares; and one each of intent to pervert the course of justice, destroying documents and falsifying documents.

Mr Saunders said that, unlike his co-defendants, who were "men of the City and of substance", he was uniquely disadvantaged, "without work, without money and without status".

He said that because he was a layman his preparation of his defence would take him a long time. It would be greatly assisted by hearing the prosecution's

opening speech and evidence at Criminal Justice Act, enabling certain cases to be transferred to the Crown Court without a committal hearing at magistrates' court, would be considered by the House of Lords on July 22.

It was expected that the transfer procedure would be in force by mid to late September.

The others charged are Mr Gerald Ronson, chairman of the Heron Corporation; Sir Jack Lyons, the millionaire financier; Mr Roger Sebagh, the former Morgan Grenfell corporate finance director; Mr Anthony Parres, a former City of London stockbroker; and Mr David Mayhew, senior corporate finance partner of stockbroker Cazenove & Co.

Mr Ronson faces eight charges; Sir Jack Lyons nine; Mr Sebagh 18; Mr Parres 18 and Mr Mayhew four. All seven men are on

trial for the 1987 £263,000 bail.

## Barristers consider shake-up of fee system

BY OUR LAW COURTS CORRESPONDENT

BARRISTERS in England and Wales are to consider a revolutionary change in the basis on which they are paid.

The Bar Council has set up a working group to consider the implications of adopting a system of contingency fees similar to that which operates in the US.

The system, which could cut legal costs, is at the moment prohibited in the UK and has previously been opposed by the Bar.

Mr Robert Johnson, barrister and chairman of the Bar, said

yesterday that it was a difficult issue with strong arguments on both sides.

"Although contingency fees, in the American sense, have been in operation for many years, it is by no means certain that they would be appropriate in our rather different system."

"In particular, we have to bear in mind the interests of both plaintiffs and defendants, as well as the need to keep high professional standards among lawyers," Mr Johnson said.

against the losing party. The working group will also look at the advantages and disadvantages to the public, including the position of defendants successfully defending claims made against them only to find that the plaintiff cannot meet the costs bill.

The move by the Bar follows a recommendation in the Lord Chancellor's recently published Civil Justice Review that the current prohibition of such arrangements should be re-examined.

## Rolls-Royce lands engine deals worth over £100m

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-Royce yesterday announced more than £100m in new orders.

Two additional Boeing 747-400 jumbo jets ordered recently by Qantas of Australia will be powered by Rolls-Royce RB-211-524G engines, worth about £75m to the engine company including spares over their expected lifetime in service.

Qantas now has six Boeing 747-400s on order, all powered by Rolls-Royce engines.

The engine company also announced yesterday that Bran-

iff, the US airline, had ordered 12 Dutch Fokker 100 airliners, with an option on a further six, all powered by Rolls-Royce Tay jet engines.

The engine involved is the most powerful version of the Tay, the Series 650, with 15,100lb take-off thrust, which is already on order for US Air, another American operator.

The deal is through GPAF (GPA), the leasing company set up jointly by Fokker and GPA, the Shannon (Kilkenny) based aircraft financing group.

## BT expands computerised directory inquiry system

BY HUGO DIXON

STC, the UK electronics group, has won orders worth more than £26m from British Telecom to expand and maintain the telephone company's computerised directory inquiry system.

STC has been converting its directory inquiry system from microchips to computer since 1983. STC is the prime supplier for this contract, selling to BT a system developed by Computer Consoles.

STC said BT was now expanding the system because it had been successful in cutting the time operators take to give a call.

Callers numbers from 50 seconds in 1985 to 35 seconds now. These figures do not include the time taken before a call is answered in the first place.

As a result of the quicker response times, call volume was growing at about 20 per cent a year, STC said. During the peak hour, the system now handles an average of 245,000 calls compared with 160,000 in 1985.

The contract for new equipment, worth £13m, will allow BT to meet this increased demand and more terminals will be installed.

## MANAGEMENT: Small Business

The next generation

## Groomed for the top slots

Charles Batchelor reports on problems surrounding succession in family companies

## A drain on resources

**THIS IS A** serious business, not a family plaything. We employ 800 people so there are 800 families for which I am responsible. The only way I can run this company is to have a professional management.

The speaker is Brian Pearce, now 56 and the sixth generation of his family to head Pearce Signs, a sign-making company based in New Cross, south-east London. With turnover of £21m, Pearce Signs claims to be the largest sign-maker in Europe.

Before going into the family company Brian Pearce spent two years in the army where he gained a commission. He describes this period as crucial to his personal development. "I worked in an unprivileged position and was successful in that I was commissioned. That was very important in giving me confidence in business."

Pearce is now devoting some thought to grooming his son Nicholas, aged 23, for the succession. It is not automatic that Nicholas will head the company, Pearce insists, but he is being put through the managerial treadmill. After qualifying as an accountant and spending some time as personal assistant to his father, Nicholas went into sales and is soon to become general manager in one of the regions.

Pearce Senior has delegated responsibility for his son's career planning to his managing director. "In terms of working relationships I have no more to do with him than I would with one in that position," he says, but acknowledges that Nicholas is introduced to more people and takes part in more company functions than would someone who was not a member of the family.

The challenge facing Pearce Signs – of how to secure its future while retaining the family interest – is common to tens of thousands of family companies throughout Europe and beyond. While most of the companies affected are quite small, others have grown into sizeable businesses.

And though the problems of family succession are frequently the stuff of fiction, they have received relatively little attention from the researchers and the business schools which have pored over other aspects of small firms' growth.

Interest is starting to develop, however. Ashridge Management College has started an MBA

course which, while not designed specifically for the small family company, allows students to follow up projects within their own companies.

This avoids the problem of the traditional MBA which can divorce the student from his company background and sometimes provoke conflict on his return.

In the past the student would go back having learnt an awful lot of theory and tell his father he was not doing it properly," says Laurence Handys, MBA programme director at Ashridge. "He would run into a brick wall and end up disillusioned."

Governments and venture capitalists in Europe are also taking a closer interest in the problems and the opportunities arising from the issue of family succession. The French Government's attempts to promote the management buy-out have been largely prompted by fears that many companies set up immediately after the war would be wound up

if the founder retired or died without having found a successor.

In Italy the succession problem is one of the key factors which we expect will increase the volume of deals," reports Nicholas Ferguson, chairman of Schroder Ventures, the British venture capital group which this week announced a £40m Italian buy-out and venture capital fund.

Even in West Germany, where family owners have in the past regarded the sale of their company as an admission of defeat, buy-outs of family companies are starting to happen.

Succession has tended to be seen as a tax issue (see box) and there have been times in the 1960s and 1970s when the tax regime was particularly unfavourable to the family company in Britain. But far more important are the management questions which are raised.

How should the new head of the company be selected (assuming

there is a choice and the position does not automatically go to the eldest son)? How should the new man or woman be trained and brought into the company? How can other members of the management team be recruited and retained if they know the family will reserve the top slots for its own members?

But even though the tax position has improved markedly since the 1970s when death duties and capital transfer tax meant many companies were faced with heavy tax bills when the owner died.

Changes in the 1988 budget continued the trend of recent years to make life easier for the family business. The starting point for inheritance tax was raised by £20,000 to £110,000; a flat rate for inheritance tax of 40 per cent was introduced replacing four previous rates ranging from 30 to 60 per cent; and the base date for capital gains tax was brought forward to 1982 – removing earlier increases in value from the tax net.

Small business lobby groups have been pressuring the Chancellor for many years to improve the position of the family business. "Professional advisers in this country would advise people to build up a business and then flag it," says Bill Poeton, chairman of his own family company and president of the Union of Independent Companies (UIC). "This was in complete contrast to the rest of Europe and led to a concentration of business in a few large empires."

Given that the new boss is prepared for his role? At the age of 42, Clive Cutler is currently half-way through an MBA course at Ashridge which he believes

will give him the all-round skills which did not come from 20 years working in the family company. If the company goes to the Unlisted Securities Market, Cutler wants to be better informed.

Like the heads of many family companies which have attained a reasonable size, Cutler believes too much is at stake for control of the business to be left to the untrained amateur.

Apart from qualifying as a chartered accountant and the odd course I have had not formal management training," he says. "If we are to go to the USM I have to have credibility. Twenty years' experience in a private company is not enough and I have to put that right."

But more than formal management training is needed to create the well-rounded head of the family business. Cutler says he wishes he had had more experience

of the founder retired or died without having found a successor.

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Clive Cutler: working for an MBA to make himself better informed

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## Exploiting technology via the licencing consultant

Charles Batchelor looks at a recent handbook

THE GROWTH in recent years of a worldwide market in technical knowledge means that the businessman can make money from the technology on which his products are based as well as on the products themselves.

However, while numerous studies have shown that the small company is more innovative than its larger counterparts, it is often at a disadvantage when it comes to exploiting its technology.

The role that can be played by the technology transfer or licencing consultant in buying and selling the technology is explained in the 1988/89 edition of *The Innovator's Handbook*.

The often lengthy and complex process of reaching a licencing agreement may put off companies – particularly small to medium-sized firms – which typically lack suitable licencing skills in-house.

A good licencing consultant will help prevent his client agreeing to onerous licence clauses and can advise on royalty rates – particularly for small companies where the father comes in every day, keeps an office next door and wants to know all the details of the business.

The consultant should also

## In brief...

THE BANKS are continuing their push into the small business field by backing the publication of a range of advice books. After the publication of Lloyds Bank's *Small Business Guide* by Penguin, National Westminster has launched a series of books called the "National Small Business Bookshelf" in conjunction with Penguin Publishing.

The first four titles are *A Business Plan* by Alan West, *Starting Up* by Gary Jones, *Hiring and Firing* by Ken Lane and *Buying and Selling* by Peter Allen. Ranging in length from 160 to 200 pages, they are clearly laid out and indexed and are on sale in bookshops priced at £5.95 each.

A PILOT programme to help small firms develop their export business has been launched by the London Enterprise Agency. The London Export Enterprise Programme will provide small businesses with a subsidised six-month package of training and consultancy to help them devise an export marketing plan.

The programme, which costs £50, and which is sponsored by Lloyds Bank and the Department of Trade and Industry, starts on October 1 with two consecutive Saturdays of training.

*Applications by August 31 to Training Department, LENA, 4 Snow Hill, London EC1A 2BS.*

TRAINEE teachers and university academic staff are to be given an insight into the management of small firms under a scheme to be launched by Shell UK and the Durham Business School. This is an extension of the existing Shell Technology Enterprise Programme (STEP) which encourages graduates to work for small and medium-sized firms.

This year five graduate teachers from Cheadleham will work with local firms while five Durham University graduates preparing for postgraduate teacher training and a number of academic staff at the university will do project work in local firms.

*Contact David Mullen, Durham University Business School, tel 031-374 2597 or James Arnott, Shell UK, tel 01-537 3152.*

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The company currently has 155 employees and an order book of approximately £500,000.

For further information contact the Joint Administrative Receivers: Maurice Whithall, Grant Thornton, Melton Street, Euston Square, London NW1 2EP Tel: 01-383 5100, Telex: 28984 GT LDN-G. Fax: 01-383 4077 or Allan Griffiths, Grant Thornton, Heron House, Albert Square, Manchester M2 5HD. Tel: 061 834 5414. Telex: 667235 GT MAN-G. Fax: 061 832 6042.

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For further information contact the Joint Administrative Receivers: Alastair White, Grant Thornton, PO Box 151, 112 West George Street, Glasgow G2 1QF. Tel: 041-332 7484. Telex: 77726 GT GLW-G. Fax: 041 333 0581 or Allan Griffiths, Grant Thornton, Heron House, Albert Square, Manchester M2 5HD. Tel: 061 834 5414. Telex: 667235 GT MAN-G. Fax: 061 832 6042.

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# FINANCIAL TIMES SURVEY



Cheltenham, as it celebrates its Bicentenary, can boast a wide spread of industry and services.

industries behind its famous Regency facades. But now with growth constrained by shortage of land, it needs to think where it wants to go from here. Survey by Roy Hodson

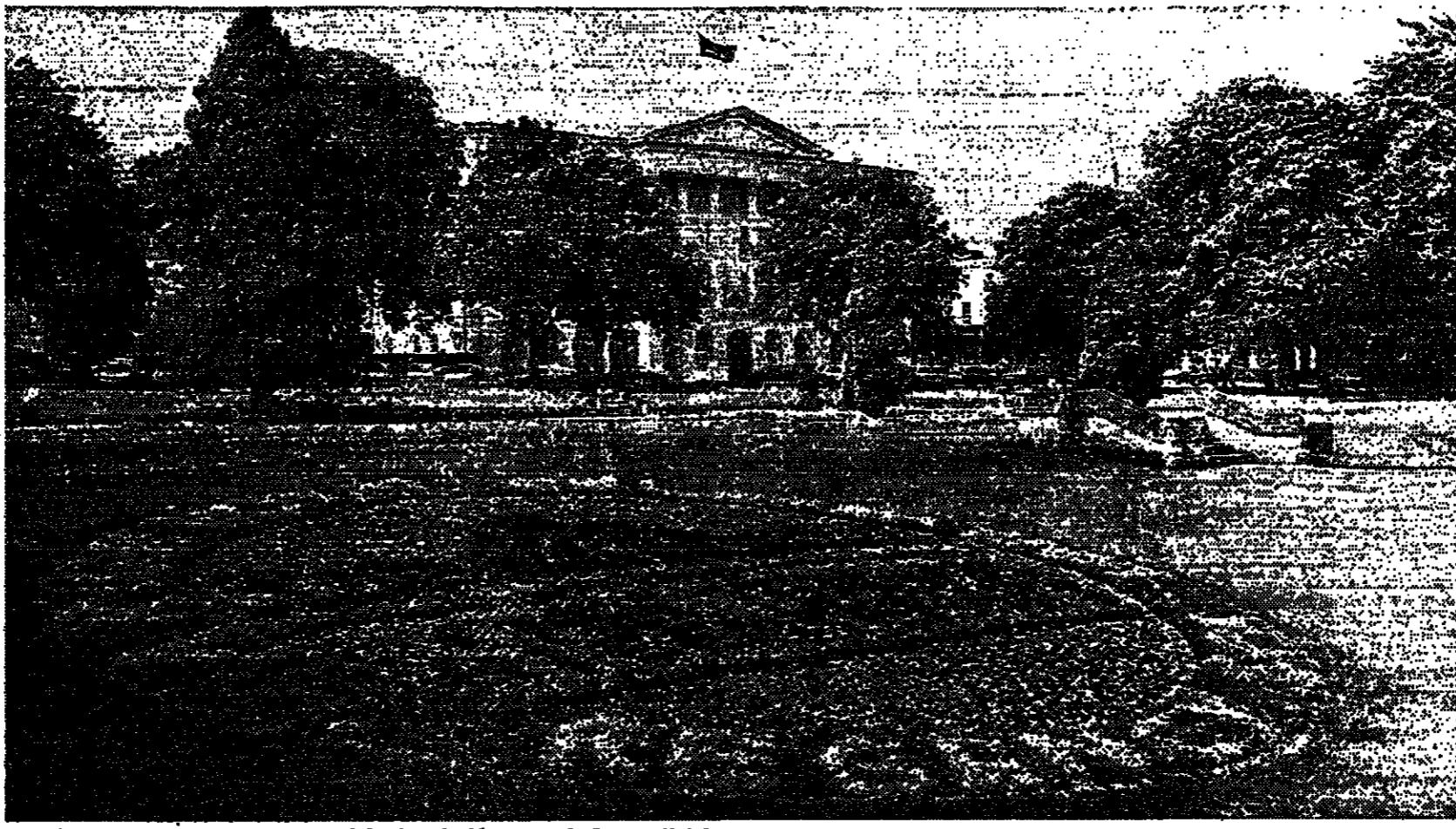
## Something to celebrate

A WARM summer day shows Cheltenham at its seductive best. The facades of the Regency terraces glisten in the sun and people with time on their hands lounge in the grandly-named Imperial Gardens.

All is clean, tidy, comfortable, and well-ordered. It is easy to see why Cheltenham has been a favourite retirement town for generations of army officers and civil servants. It is a town of elegant tree-lined thoroughfares, manicured parks and gardens, and an incomparable collection of fine houses. It is no exaggeration that the centre of Cheltenham has been designated the largest Conservation Area in all Europe.

But now that the town is celebrating its Bicentenary Year as a spa town and Cotswold retreat it must be said that there is a great deal more to Cheltenham than just a pretty face. This compact town has a much stronger spread of manufacturing industry than might be expected in a community of only 87,000. And it has also become an important West of England centre for commercial and financial services including insurance, building societies, accountancy, banking, and the law.

The pleasant town and the beautiful countryside around have attracted both corporate managers running businesses and seeking a congenial and con-



Cheltenham's grandly-named Imperial Gardens looking towards Queens Hotel

# Cheltenham

venient location, and people of independent spirit looking for a good place to settle beyond the London commuting area, but still conveniently near the business centres of the South, the West, Wales, and the Midlands. It is no accident, for instance, that Cheltenham has one of the biggest concentrations of advertising and public relations businesses to be found in Britain outside London, together with their ancillary services such as print, design, and photography.

The town had its early industrial experience with the flourishing of Dowty. But as an old Cheltenham hand carefully explained, "We made sure Sir George settled his engineering on the sides of the town where it would not be noticed". That was in the 1930s. During the war and the immediate post-war years Cheltenham had an invasion of a very different character. The Foreign Office located communications services in the town and laid the foundations for what was to become the Government Communications Headquarters (GCHQ). The Foreign Office could hardly have known at the time that it was creating Cheltenham's biggest industry. Today GCHQ is located

on two sites. The older is discreetly tucked away among the suburban housing estates and is hardly noticed by visitors. The newer site is boldly installed on the main road to Gloucester where its arrays of aerials and satellite dishes are becoming a local tourist attraction.

GCHQ employs between 6,000 and 7,000 people now and vice with Dowty to be the town's biggest employer. It is reckoned that the concentration of so many bright linguists and cryptographers and their families has raised the local IQ level several points beyond what might be expected in an English country town. So big is GCHQ in terms of local activity that it has the capacity to cause traffic jams around the town's ring road when the shifts change.

There is an apocryphal story of an Irish visitor who set off early by car to go to the last Cheltenham Gold Cup race meeting at the town's race course, got into the wrong traffic lane at a roundabout, and found himself inside the most secure part of one of the GCHQ sites before the traffic stream eased.

Other major employers are the Eagle Star insurance company,

which obtained a rare planning permission in the early 1960s to build by far the biggest high-rise office building in the town (it now employs 1,250 on three Cheltenham sites), and Smiths Industries which has a large aerospace and instruments manufacturing facility on the edge of the town.

Cheltenham's capacity to earn a decent living for itself while keeping the town intact as an architectural jewel of the Regency period does not end with thriving industry and office sectors. The town has a shopping centre which can only be compared with Bristol and Bath in the West of England for the quality and range of shopping available.

It has also become a thriving centre for language schools attended by overseas students - whose lodgings allowances prove a useful addition to many family incomes in the town.

Education is in fact an important sector contributing to the local economy. In addition to preparatory schools there are four important senior schools - the Cheltenham Grammar School and three independent schools, Cheltenham College, Cheltenham Ladies College, and Dean Close, a co-educational school.

Accustomed to being quietly prosperous with its underpinning of industry and commerce, Cheltenham has actually become rather well-off recently by comparison with most places in England. House prices have doubled in just two years according to the estimates of local estate agents based upon transaction prices rather than asking prices.

Further price rises are expected as the Bank of England registrar's department is moved from the City of London to Gloucester 9 miles away from Cheltenham. A number of the bank families uprooted from the Home Counties are expected to seek houses in Cheltenham.

Meanwhile unemployment in the area has fallen by 25 per cent in the last year and is now 5.5 per cent in Cheltenham. At that level local firms are already complaining of a serious shortage of skilled workers, particularly those with engineering training and skills in computer and information technology work.

From now on the growth of industry and commerce in the town and immediately around it is going to be severely constrained by shortages of land. Cheltenham itself has the distinction of being the smallest of all the English districts in terms of acreage. It is tightly corseted all round its borders by land belonging to another authority (Tewkesbury), by designated Areas of Outstanding Natural Beauty, and by Green Belt land.

Even if it is allowed to extend its borders at the expense of Tewkesbury following some Boundary Commission recommendations Cheltenham will still find it difficult to build many more new houses, and almost impossible to provide land for new commercial and industrial activities.

The Cheltenham & Gloucester Building Society, one of the jewels in the town's commercial crown, has not been able to fulfil its wish to leave its present offices in Cheltenham for bigger premises in the town. Instead the society is having to move its headquarters several miles out of town to a new purpose-built building. The decision is, incidentally, causing a flurry in the property market. When the society's current offices are offered shortly they will represent a rare opportunity for a company to acquire a big tranche of commercial space in Cheltenham.

Continued on Page 2

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Pictures by Alan Harper	

New industrial activity will have to be accommodated either by finding out-of-town sites or by modernising and re-building on some of the town's existing industrial sites and estates. Most of the new houses in the district are being built outside the town boundaries, although the people who live in them will rely almost as much upon Cheltenham's facilities as the town's population.

These are problems that greatly concern Mr Charles Irving, Cheltenham's Member of Parliament since 1974. Mr Irving, aged 65, is the very model of a constituency member. While he labours to improve the health of his fellow MPs as the highly-successful chairman of the House of Commons catering committee, he confesses he misses his native Cheltenham all the time he is up at Westminster. He is a town councillor and has been mayor of Cheltenham three times.

Mr Irving believes that after two decades of impressive growth and improved prosperity Cheltenham should pause and draw breath. The town has, its citizens claim, a reputation for taking its time when making important decisions. "It seems to me," says Mr Irving, "that there could be no better time than the present for Cheltenham to take a sabbatical from decision-making... to sit back and think where it wants to go in the future".

But these are problems springing from success. Cheltenham is not disposed to dwell upon them overlong during the festivities for this its bicentenary year. The spa waters were the reason King George III visited Cheltenham in 1783. The royal seal of approval was enough to turn Cheltenham from a village into an architectural gem of its time within a few years.

Within the town the Regency village of shops and walks called Montpellier has now been given new life with shops, cafes, pavement restaurants, and flower stalls. Legend has it that in the last century a bell would be rung in Montpellier at 8pm to signal that the "quality" were returning to their houses and that servants could use the park. Nowadays dinner jackets and "T-shirts" rub shoulders there.

Montpellier will be one of the centre-pieces of the Cheltenham celebrations throughout this year.



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## CHELTENHAM 2

THE HIGH concentration of company headquarters and other head offices to be found in Cheltenham probably has as much to do with the quality of life in the town, good housing, and an excellent selection of state and private schools as it has to do with business philosophies.

Companies' own accounts of why they chose Cheltenham often make for good listening. Gulf Oil (Great Britain), a company with a turnover of £573m last year and a 3 per cent share of the British petroleum market, started trekking west when it moved from Grosvenor Place, London, to Chiswick in 1974.

Chiswick was not far enough from the Great West so Gulf set up a task force - a team of people of widely different disciplines drawn from the staff - to find the nearest place to perfection for its headquarters. The company wanted to be conveniently near to its customers and its west Wales refinery, while being far enough away from London to avoid what a Gulf man calls "the commuter belt effect".

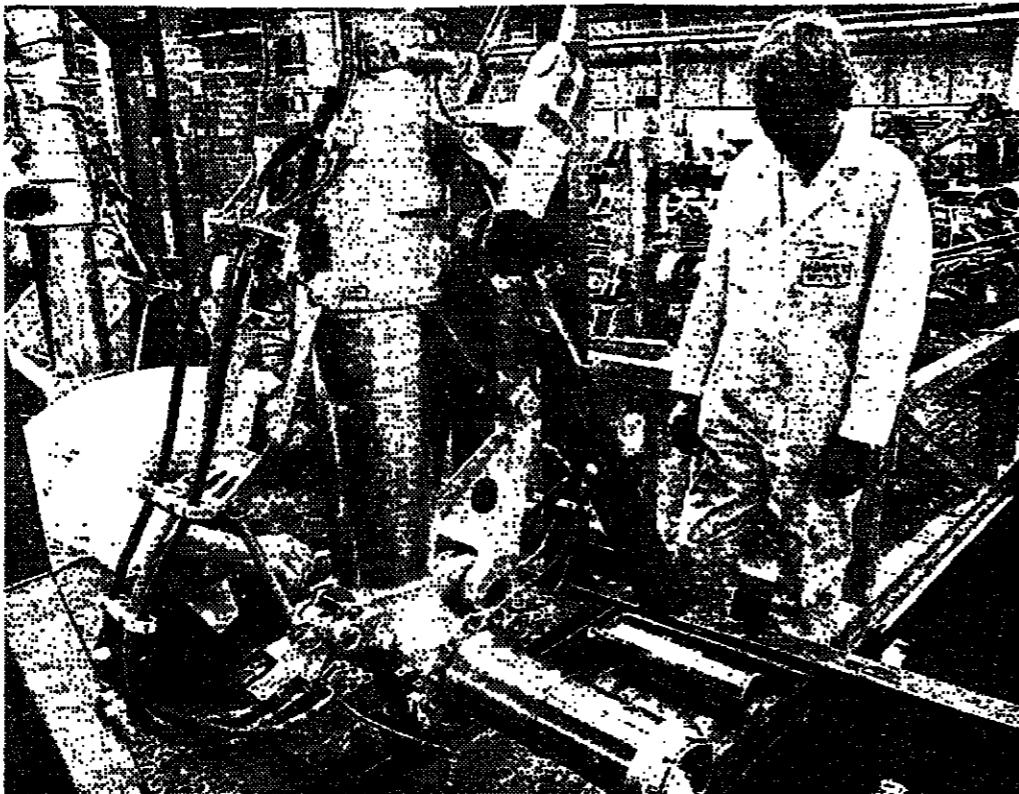
The wise men came back and recommended the territory between Birmingham and Bristol. A scouting party then found that there was office space sufficient for the 150 headquarters staff in a modern office building, The Quadrangle, right in the centre of Cheltenham.

Gulf has never regretted the move. Senior staff say, "We have good communications. There are no commuting problems and we find that people get to work in better shape than they did in London. If you think in Cheltenham you can miss the rush hour".

Another company that has chosen Cheltenham when it could have established a national headquarters virtually anywhere in Britain is the Astec Group which arrived in the town less than two years ago. When the company was formed as the vehicle for the management buy-out of the cellular telephone interests of the Granada group, chairman and managing director David Savage chose to move it to Cheltenham. "Our decision" he says "was influenced by the superior road and communications facilities, realistic rates, the good quantity of suitable accommodation, and a desire to serve an area that has no company involved in the same industry as ourselves. It was not just a case of getting away from London and our competitors".

Now turning over more than £5m a year Astec also says it has no regrets about choosing Cheltenham as its base for a fast-expanding business.

Some people love the handsome 15-storey modern office



The A320 Airbus landing gear under construction at Dowty's hydraulics factory

The town's quality of life is a key attraction to...

## Industry big and small

block of Eagle Star which was built (expensively) in the late 1960s to house 1,000 insurance workers while blending as far as possible with the town. Other parts of the town are equally similar for - they claim - being totally out of scale with the character of Cheltenham College and the quiet streets of Regency houses around it. Indeed, it is hard to miss the Eagle Star building. It is used by Cheltenham people as a reference point when giving directions to a stranger.

The truth is that Eagle Star was lucky with its planning permission which would be unlikely to be granted today. The company's wish to move into Cheltenham in strength happened to coincide with a realisation by the town that it was missing the desirable new office employment opportunities being created by the growth of the service and financial sectors of the economy.

Eagle Star now employs 1,250 on three Cheltenham sites - the principal operating offices for a national staff of 7,000. The company plans to stay in Cheltenham and has just secured its future growth by buying a 10-acre site about 2 miles away from the town centre. A £20m computer centre was opened on the new site last January to handle its business throughout the country. Eagle Star will build more office space just outside the town and by 1992 expects to employ 2,000 people in and around Cheltenham headquarters.

Spax-Sarco Engineering, which specialises in steam and fluid controls, is one of Cheltenham's industrial pioneers. The company has been based in the town for more than 50 years and is one of the larger of the local manufacturing employers with a workforce of about 1,000 in three factories. It finds Cheltenham a good position for an international headquarters and runs operations in 23 countries from its Cheltenham head office - an elegant house set in lawns on the Cotswolds side of the town.

Spax-Sarco turned over £28m last year and attributes much of

its success in world markets (75 per cent of its production is sold overseas) to the technical back-up and training it offers its customers. Residential courses for engineers are provided at the company's modern training school in the grounds of the Cheltenham headquarters.

About one quarter of Cheltenham's work force is now employed in manufacturing industry - a surprisingly high proportion it might be thought for a town which puts on such a show of elegance and style. But the truth is that there is a long tradition of small manufacturing and, in particular, light engineering, in the Cheltenham and Gloucester region. It was this tradition which gave rise to such big manufacturing companies as Dowty, Smiths Industries, Spax-Sarco, and Caradon Mira, in and around the town.

When the aluminium industry became strong in Cheltenham, as described in another article in this survey, it was the most natural thing in the world for small

engineers in the district to use their skills to make and supply the expensive dies used in aluminium extrusion. The local die-makers now have customers throughout the international aluminium industry.

One of the large engineering employers in the town and an integral part of its reputation for quality engineering was Linotype-Paul. The town suffered its biggest - ever reverse in the history of its quiet but impressive industrial development six years ago when the company (which is west German-owned) switched its production to Germany. Some 500 jobs were lost in Cheltenham.

The town's entrepreneurial spirit was very much to the fore in the months that followed. A number of ex-Linotype people started their own businesses. The outcome has been, ultimately, a happy one for Cheltenham which now has a thriving sector of print-related manufacturing businesses. Linotype itself has wholeheartedly embraced the technological revolution in printing from hot metal machines to electronic printing. In recent years the company has supplied more than 60 per cent of the laser imagers now in use in the world.

Linotype UK still has its headquarters in Cheltenham employing 450 throughout the country and turning over more than £40m a year. Last year its sales grew by 25 per cent. From the Cheltenham, where the principal activities are now type design and setting and marketing, it serves the British market and African, Indian, Middle East and Far East markets.

A special type development unit at Cheltenham designs typefaces and computer systems for the "non-Latin" markets. Cheltenham's biggest single export market for the Linotype products is now Japan with business running at nearly £2m a year.

Another west German subsidiary flourishing in Cheltenham is Krone, maker of advanced telecommunications systems. In just ten years Krone UK has built a British turnover of £12m a year. Most of the expansion has taken place since it moved from Croydon in 1982. A year later it settled into a purpose-adapted factory on one of Cheltenham's small industrial estates sited carefully at the edge of the town. The company is investing £1m in its Cheltenham manufacturing facilities this year to cope with a growing order book, and it is already looking for a new site with room for further expansion. Roger Empson, general manager, says his biggest worry is the shortage of skilled labour in the Gloucestershire area.

Roy Hodson

THE LARGEST industrial employer in Gloucestershire is Dowty, the Cheltenham-based group which has a work force of 6,000 and a \$500m order book in aerospace, electronic systems, information technology, and mining and industrial equipment.

The story of Dowty in Cheltenham began in 1921 with a small business in a loft. George Dowty started the company which was to pioneer many areas of advanced engineering technology and make a significant contribution to British aircraft production during World War Two.

Mr Tony Thatcher, a Manchester university engineering graduate, aged 48, who has been chief executive of the group for 18 months, is now encouraging a climate of change in an organisation which has perhaps become too comfortably accustomed to the long periods of stable business offered by successful aerospace contracts. He points out that the cycle of developing equipment for a new aircraft, supplying that equipment during a successful production run, and continuing to supply spares while the aircraft is in service, can stretch as long as half a century.

A strategy review is now going on inside Dowty which will decide the future shape of the group. Dowty's business is now in three main sectors - 34 per cent defence equipment, 16 per cent civil aviation, and 30 per cent mining equipment. Mr Thatcher is anxious to broaden the base in specific, closely-targeted growth areas.

Dowty's information technology business, with which he is closely associated, "is steaming ahead" he says. He expects it to stand alongside aerospace in the future as one of the two mainstays of the group. Turnover of the electronics division has soared from £28.5m in 1982 to £104.8m in 1987.

Turnover of the group in the last year was £624.5m of which aerospace made the biggest contribution with about one-third of group sales.

Mr Thatcher says his strategy foresees the group developing its aerospace business particularly in the civil aviation markets. To that end it has recently bought Hydraulics United Inc, a Boeing subsidiary in Los Angeles. Some three-quarters of the group's total business is now done outside the United Kingdom and 54

per cent of its UK manufacturing is exported.

The group's involvement in world aerospace is widely spread. At the end of the war when the military aircraft market suddenly dried up, he asked himself where in industry could the aviation hydraulic technologies best be applied. And he came up with the hydraulic roof support for the mining industry. The company has been a world leader in mining technology ever since.

Hydraulics, aircraft undercarriage units and mining gear naturally led Dowty on into aerospace development for the high pressure systems used. The company developed its own seals manufacturing plant and now is selling more than 1,000 seals and mouldings a year worldwide.

In the aviation division Dowty has 14 companies in the Cheltenham district with a product mix of landing gear, propellers, flying controls, and hydraulics. Landing gear accounts for about one-third of the group's worldwide aerospace business and Dowty is competing in that business with two North American companies and one French company.

One of Dowty's most exciting new projects is its collaboration with GE (USA) in a joint programme for the design, development, and manufacture of composite material fan blades for the unducted fan engine. If this engine is successful it will put the external propeller back on to aircraft in the 1990s to save fuel and provide more efficient propulsion than today's turbofan jet engines.

Mr George Dowty performed the unusual service of making a manufacturing industry respectable in the 1930s in a town which, then, was almost wholly devoted to elegant living and pursuits for

group.

Mr George Dowty performed the unusual service of making a manufacturing industry respectable in the 1930s in a town which, then, was almost wholly devoted to elegant living and pursuits for

group.

Operations beautiful than on any

summer, along with the Proms, other single activity. The parks and recreation budget for the

last year is £1.7m compared with £1.3m for public works.

Nodding approval of this budget, a resident said, "If you are unlucky enough to stub your toe on a broken paving stone in this town you do it to a soothing

background of flowers and lawns".

## A pretty face

from page 1

summer, along with the Proms, other single activity. The parks and recreation budget for the

last year is £1.7m compared with £1.3m for public works.

Rotunda building.

The special spirit of Cheltenham is perhaps typified by the

continued approval of the towns-

people that the council should

spend more money on keeping its

sidewalks and parks and gardens and street dec-



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## CHELTENHAM 3

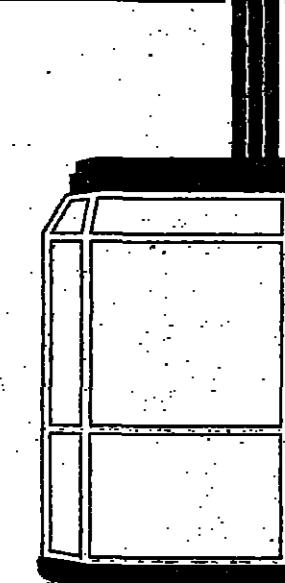
Financial and legal services would not disgrace a major city

## Broad pool of expertise

THE STRENGTH of the financial services industry in Cheltenham would not disgrace a major city. It is a quite exceptional concentration for a country town.

Communications are partly the reason. Cheltenham is just far enough away from the hurly-burly to offer a high quality of life while still being within easy reach of London, Manchester, Bristol, Birmingham, and Cardiff. The M5 motorway running just to the west of the town provides an excellent north-south artery.

If you live and work in Cheltenham, it is fashionable to complain about the delays on the A40 when driving to London via Oxford. And the road down to the M4 via Cirencester has the distinctly rural appeal of an earlier age of travel. But London can still be



Cheltenham's Regent Arcade

now, advising some 200 companies - 90 per cent of them with 30 miles of Cheltenham - from offices in a converted schoolhouse in the town and he can be said to have a bird's eye view of the local business scene.

He says he has seen the pace of business in the Gloucestershire area quicken noticeably during the last few years. The town was prospering sufficiently to be largely insulated from the last recession and locally-based businesses have generally enjoyed a strong run ever since.

One effect of redundancies and some closures during the recession about ten years ago was to encourage people to start up on their own. "Generally they have done well", says Mr Tee. "There is a lot of support in this area for people who show entrepreneurial spirit and want to run their own businesses".

Seeing a need for special banking services arising from the high level of industrial and commercial activity in the district, Midland Bank has recently established a corporate banking centre in Cheltenham to meet, it says, "the increasingly sophisticated and corporate advice".

Mr Nicholas Tee, aged 27, a chartered accountant, has built up a thriving practice in just eight years serving industrial and commercial clients. He is

reached by car in a couple of hours and that seems to suit the many thousands of lawyers and accountants, and insurance, building society, advertising, and public relations executives who live and work in Cheltenham.

The weakest link in Cheltenham's communications is undoubtedly the railways. Direct trains between Paddington and Cheltenham are few and far between. And by historical accident the travellers to and from Cheltenham have to be shuttled in and out of Gloucester - a process which adds to the journey time and does not please Cheltenham which takes a fiercely independent stance in all its relations with the county town.

In the financial services sector

alone Eagle Star, which has been in Cheltenham since 1964, employs 1250. Cheltenham & Gloucester Building Society employs 350 at its chief office, and Mercantile and General (the reinsurance subsidiary of the Prudential) and the Chelsea Building Society head offices employ a further 650.

Endsight Insurance, which specialises in retail insurance services has a staff of 350 on nine different sites in Cheltenham. It hopes to build a town centre head office soon, and there are a number of smaller financial services companies running national businesses from Cheltenham head offices.

The proliferating numbers of accountants and legal firms in Cheltenham can be explained partly by the amount of work in the region served by the town, and partly because their high-earning professional teams like the lifestyle of the town and the surrounding countryside.

Mr Nic Stone, a solicitor, was one of a team which founded an international legal firm, Wiggin and Co, in the early 1970s. Although they were London lawyers they chose to base their operation upon Cheltenham. "And", says Mr Stone, "we have never regretted it". From Cheltenham they are serving clients worldwide with commercial and corporate advice.

Mr Nicholas Tee, aged 27, a chartered accountant, has built up a thriving practice in just eight years serving industrial and commercial clients. He is

financial requirements of companies in the medium-to-large corporate market - those with an annual sales turnover in excess of £1m.

Mr Dennis Fredjohn, a former industrialist who was one of the pioneers of the aluminium industry in Cheltenham, is now the chairman of a Cheltenham-based financial house called Capital Ventures. In his second career he has helped pioneer venture capital schemes based upon the Business Start Up and Business Expansion Schemes from his Cheltenham office. It affords him considerable amusement that almost every reference to Capital Ventures in the financial press includes the prefix "Cheltenham-based".

It is as if financial writers cannot quite comprehend a venture capital house being outside the London Square Mile", he says. "But we don't mind because we know Cheltenham is a fine place from which to run a national business".

The Cheltenham & Gloucester Building Society holds the same view. It started in the town in 1859 and is now the tenth-largest of the societies with £4.4bn assets.

The C & G has in abundance a noticeable Cheltenham trait of being proud of good housekeeping. In fact it appears in the league table of the societies as having the lowest management/expenses ratio of any of them. The C & G spending only 0.74p on administration for every £100 of assets. Most of the societies spend over 1p.

The society's present strategy is to expand rapidly. "We have a lot of confidence in our future", says Mr Richard Hatt, assistant general manager (development). In September next year the society is moving into its new 250m headquarter now under construction at Barnwood.

"Cheltenham Gold" is still going strong as the society's flag-ship brand.

This product, which pioneered the building society high interest, instant access, investment account, has done more to put Cheltenham in the British public eye than any happening since King George III took the waters 200 years ago.

## Profile: Caradon Mira

## Penetrating showers

QUITE NEAR the centre of Cheltenham there is a seven-acre factory which supplies a sizeable proportion of the showers installed in British homes.

Like so many industrial activities in Cheltenham the business which is now Caradon Mira settled in the town because it was looking for a pleasant and convenient location to start a factory. Walker Crossweller was founded in London as an agency for industrial instruments in 1923. By the 1960s it had found a market for mixing valves and established itself in Cheltenham to make them.

What the company could not have foreseen in those early days was that eventually the most common use of the valves would be in showers - after the shower began to find its way into British bathrooms from the 1960s on.

In 1968 the firm virtually entered a British domestic shower market by becoming the first company to develop a domestic mixer shower control which would work on British plumbing.

Caradon Mira (the company changed its name five years ago) is now dominant in the British shower market with about half of

the market for mixing valve showers and about one-quarter of the market for electric showers. It has a turnover of about £25m and is employing 750 in the factory and 200 in the distribution and sales offices.

Mr Robert Winstone, a 38-year-old graduate in business studies who previously helped market Duracell batteries, came to Cheltenham as managing director of Caradon Mira after the company was part of a management buy-out from Reed International. The company has grown by 50 per cent in the last four years, he says, and he expects the fast growth to continue. "Quite simply more people in Britain are taking showers. The shower market is an explosive one. With more disposable income to spend on their homes, it appears that people have more time to go through the fitted kitchen phase and are now developing their energies to sprucing-up their bathrooms."

More than 1m showers are being sold in Britain annually and Mr Winstone expects the market to remain strong for some years to come. The shower cannot be said to have penetrated

Roy Hodson

the British bathroom substantially so far as 60 per cent households still do not have a shower system of any kind.

If anyone still thinks that bathroom showers is a straightforward subject it should be said that Caradon Mira has a research and development department of 50 people in Cheltenham all working on showering products in various forms.

The bathroom of the future is to be found on display in his works. It is fully electronic with hand-held remote control units similar to those used to control television sets from the armchair. Once you have set the electronic bath to the temperature and depth of your liking the unit can repeat the bath for ever at the touch of a button. Similar systems control the shower and wash basin.

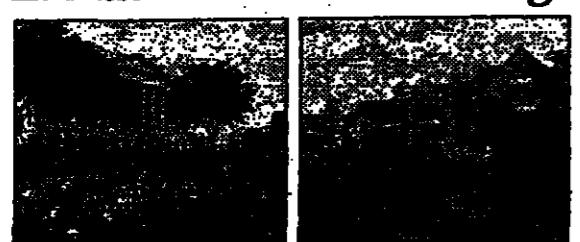
An electronic bathroom control system in its present form costs about £2,500 but Mr Winstone is confident that his R and D work will soon bring the price down to a more acceptable figure.

Roy Hodson

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## CHELTENHAM 4

Housing, industry and office sites are in short supply

## Constraints of conservation

Two national house builders, Westbury and Bovis Homes, have their headquarters in Cheltenham and their presence has helped stimulate a great deal of private sector property development in the district during the last few years.

Bovis Homes, a subsidiary of P&O, is building more than 3,000 houses in Britain annually and about 500 in the United States, all administered from Cheltenham. Its policy is to aim at the middle to upper end of the market and the average selling price of its houses now exceeds £100,000.

The group acquired a small Cheltenham-based house building and construction company 20 years ago and that has formed the nucleus of the company's South West Region. Also based in Cheltenham it has grown to be one of the largest house builders in the region.

Westbury is a local company which was the subject of a management buy-out from its family ownership four years ago. The company has grown quickly since then to join the ranks of Britain's top ten house-builders. Last year it built 2,415 units in the south of England and the Midlands and had a turnover of £122m.

From its Cheltenham HQ, Westbury is working 75 housing

sites with a management staff of 450.

"Our problem now" says Mr Richard Fraser, chief executive of Westbury, "is to maintain and replenish our 'land bank' for new homes at a price we can live with."

While land for housing development inside Cheltenham's boundaries is now confined to isolated small plots, Westbury has been active building houses just outside the town at Up Hatherley. The company has built 350 houses so far and plans to build another 300.

## Housing land is confined to small plots

But the biggest housing development by far is at Bishop's Cleeve, just outside the town, where various developers will built another 3,000 houses in addition to the 1,000 built there during the last few years. "It is the single most important safety valve for housing pressures in the whole area," says Mr Fraser.

Cheltenham council is almost wholly reliant upon private developers to help with new housing as people are attracted to live in the district and young people look for properties. The

council will only build about 30 housing units this year compared with an annual rate of 300 some 20 years ago.

Mr Brian Wynn, Cheltenham's town clerk, explains the constraints upon the town's development policies because of shortages of sites for housing, industry, and offices. "Some companies which wanted to come to Cheltenham have courted us but have eventually gone elsewhere because we have neither land, houses, nor a great deal of labour, and for the next few years there will be fewer school-leavers to take up employment".

Such is the shortage of office accommodation that the going rate for good quality offices in Cheltenham is now between £2 and £3 a square foot. At those prices Cheltenham is matching itself against some of the highest-priced areas for offices along the Thames valley west of London. Everyone interested in the local property scene is waiting to see what sort of deal will be struck when the Cheltenham & Gloucester town centre chief officer comes on the market shortly. It is almost unheard of for 75,000 square feet of office space in a central position to be offered. Already bets are being as to what the premises might fetch.

Mr Martin Bailey, who has written and published the official Cheltenham Visitor's Guide, says that the town, having managed to resist the pressures for wholesale demolition and redevelopment of its commercial centre, is now in an enviable position to meet the needs of style-conscious shoppers of the future. Town centre development has had to be acceptable in the context of the surrounding Regency grandeur, he points out. That has led to quality retail schemes such as the civic award-winning Old Post Office development by Stakis Land and Estates, and the Montpellier Courtyard designed by Sir Hugh Casson.

An example of how the Regency theme has affected office development in the town, meanwhile, is the recent neo-Regency Cottesloe Trust headquarters in The Promenade.

House prices in and around Cheltenham are rapidly rising to the level of the south east of England. Mr Philip Pugh of the Cheltenham & Gloucester estate agency claims that the immediate Cheltenham area is experiencing some of the fastest property

appreciation in the country outside London. Prices have doubled for many houses and flats in the last two years.

Typically a three-bedroom semi-detached house in Cheltenham will now change ownership for between £70,000 and £75,000. The market is helped to be more fluid than some over-crowded towns, however, by the large number of flats and maisonettes in the Regency town centre housing stock. They are helping satisfy a demand which is not being met by new housing. First-time buyers who in other parts of the country would be thinking of buying a new house are, instead, snapping up flats in newly-converted mansions and terraced town houses.

But the family which is looking for a six-bedroomed Regency detached house in one of Cheltenham's more fashionable areas of the avenue must expect to pay up to £240,000. And an additional factor to be borne in mind is the high cost of maintaining stucco and stone facades. A bill for £150 every five years is not unusual for a family house.

Until this decade the flats conversion market was in its infancy in Cheltenham and many of the higher houses were still owner-occupied. Since then Cheltenham has become a much more cosmopolitan town and people have acquired the London habit of flat-dwelling in urban areas. Conversion of the Regency houses has become one of Cheltenham's truly growth businesses.

Conservation of the Regency character of Cheltenham is a responsibility which weighs heavily upon the town council as pressures for housing and commercial accommodation grow. Mr Jeremy Jefferies, Cheltenham's conservation officer, is facing the

## Restoration is never finished

fundamental problem that nearly all Regency Cheltenham was built at the same time and the complete central area is aging all at once.

A number of the properties are in urgent need of fundamental repairs to roofs, leadwork, and stonework, if they are to be refurbished and given a long life as housing stock or as commercial premises.

For the last 15 years the Historic Buildings Council and Cheltenham council, and more lately English Heritage, have operated a town scheme which has led to several millions being spent on more than 1,000 restoration grants. Mr Jefferies says "It is slow, steady progress towards better buildings. It is never finished".

The council has considerable powers to keep up the general appearance of the Regency town — although it rarely exercises them to the full. If a building is left empty the council can do the work and recover the costs from the owner. It has only had to resort to that tactic one occasion. It bought another building by compulsory purchase in order to save it. Mr Jefferies comments: "There aren't problem buildings; there are problem owners".

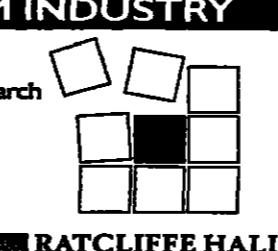
The conservation professionals working in Cheltenham believe that the town's growing prosperity will ease their burden. Problems with properties are diminishing as their value goes up and demand for them increases, says Mr Jefferies. And Cheltenham is increasingly becoming aware that many of its best Regency buildings actually owe their continued existence to the fact that they have been taken over as company offices and headquarters.

The conservation ethic is now the dominant factor in Cheltenham. The Regency town will have to look outside its boundaries for the engines to sustain growth — new industry, commerce, and housing — for as far ahead as anyone can envisage.

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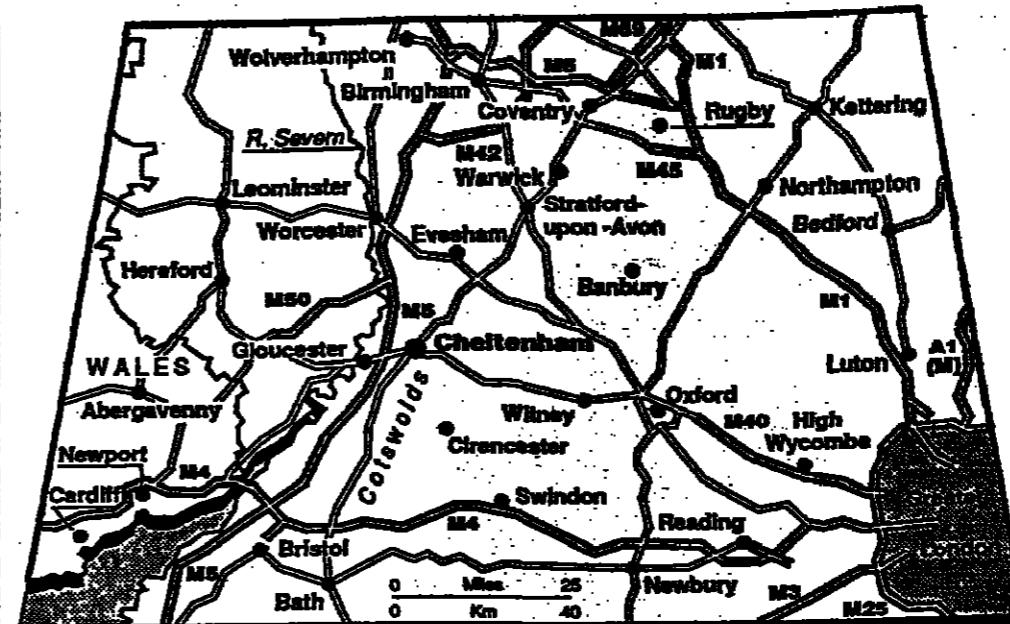
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## Key facts

Population: 86,700  
Local authority: Cheltenham Borough Council, The Promenade, Tel: 521333  
Gloucestershire enterprise agency, 40 Clarence St, Tel: 574264  
Gloucestershire county council economic development department, Shire Hall, Westgate St, Gloucester, Tel: Gloucester 425989  
Cheltenham Chamber of Commerce, 17, Imperial Square, Tel: 515051  
Gloucestershire College of Art and Technology, Various sites in the district, Tel: Gloucester 262211  
Tourist information centre, The Promenade, Tel: 522878  
Business information service, Reference library, Clarence St, Tel: 522288



## Advertising and marketing

## A lively community of creative people

THE AIR of style that exudes from the very street stones in Cheltenham has played a part in attracting into the town a lively community of creative people.

St James Square, Cheltenham has been dubbed "Madison Avenue" — and with good reason. Five sizeable advertising and marketing agencies have their headquarters there, working shoulder to shoulder. And scattered around the town there are up to 40 smaller businesses involved in advertising, public relations, marketing, design and print.

It all adds up to probably the biggest concentration of the public industry to be found in Britain outside the big cities. Cheltenham tends to be national rather than local.

Target Advertising with an income of approaching £1m a year employs 20 people and claims to be the biggest in Gloucestershire. It is comfortably housed in a freehold Regency house in St James Square. Mr Patrick Wood, managing director, explained how Madison Avenue came to Cheltenham. A number of creative people who had become tired of life in London were attracted to work with a local agency. It found itself at no disadvantage by being based in Cheltenham and competing with West End of London firms for business. Eventually it grew to a staff of about 50. But, following the inevitable life cycle of creative firms, people began to break away to start their own businesses. The firm was replaced as leader of the Cheltenham advertising and PR pack by a new firm — which has now itself disappeared.

The recent fast growth of the Cheltenham agencies and their optimism for the future is intertwined with the changing mood that led to the strong development of downstream aluminium industry activities in Cheltenham. In 1981 Mr Dennis Fredjohn, who had been working in the aluminium industry in Canada, chose a factory in Cheltenham to establish an independent aluminium extrusion company (Indalex) to serve the fast-growing British market for windows, doors, and double-glazing. Indalex is now part of RTZ. The fledgling aluminium indus-

try in Cheltenham went on to spawn a whole group of entrepreneurial people who left companies and started their own aluminium-based businesses. Now the industry is strongly represented in the area by RTZ (through Pillar Aluminium) Alcan, Sapa Holdings, and Houghton Aluminium.

One active Cheltenham marketing consultancy, Ratcliffe Hall Research, has taken advantage of the aluminium industry presence in the area to specialise in providing an advisory service.

The consultancy, which was set up four years to provide "quantitative market information and strategic advice to manufacturing clients", soon began to exploit the fact that it had a customer-oriented industry on its doorstep in aluminium.

The story is typical of how industry and marketing tend to grow hand-in-hand in Cheltenham.

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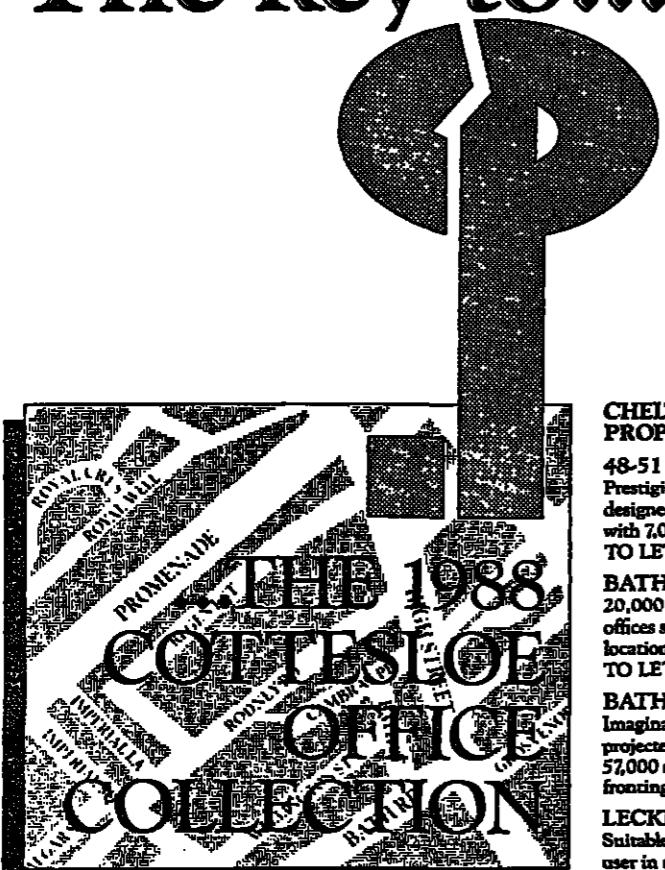
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## CHELTENHAM 5

MOST OF Gloucestershire's 512,000 population is in the Vale of Gloucester where there are four main towns, Gloucester, Cheltenham, Gloucesterbury, and Stroud. To the west is the Forest of Dean, an old industrial district which is designated as one of the government-assisted areas. The Vale itself is a prosperous mix of industry, commerce, and agriculture. And on the eastern side of the county there are the affluent Cotswolds Hills where villages tend to be measured by millions to the acre.

No area of England encapsulates more neatly the economic progress of Thatcher's Britain while, at the same time, reminding us of those who have been left behind.

Being 10 miles west of London, Gloucester has so far avoided the London effect of a daily commuter tide in and out of the capital. Most of the smaller Gloucestershire townships and villages enjoy a rich local society as the people who live locally tend to work locally as well. Only in the Cotswold villages does one find a certain amount of shyness, during the week as the well-heeled "villagers" earn their crusts in London's head offices

## Villages enjoy a rich local society

Gloucester has had the stronger manufacturing tradition.

It used to be the case that people tended to work in Gloucester and live in Cheltenham. An examination of that single statistic in 1985 shows how decisively the old order has changed. Now the morning and evening travel-to-work periods show strong travel flows in both directions on the 9-mile trip between the two town centres. Many people are now choosing to live in

and bank parlours.

The two centres of employment in the county are Gloucester and Cheltenham. Gloucester has traditionally been the bigger, busier, and more workaday of the two places. Cheltenham, meanwhile, has played (sometimes over-played) its stylish role as the town for gentlefolk where industry and commerce exist almost unnoticed down at the bottom of the garden. It is as much a question of culture as luck that Cheltenham has traditionally had a bias towards office work while

Cheltenham has always posed a special problem for planners concerned with the total well-being of the county of Gloucestershire. The town of Cheltenham has tightly-drawn boundaries with little or no land for industrial, commercial, or domestic housing expansion within its borders.

Concerned about a perceived imbalance between the affluence of modern Cheltenham (with its rich mix of offices, commerce, education, retailing, and industry) and the plainer economy of Gloucester, the Gloucestershire county council has until recently given Gloucester the status of an Area of Outstanding Natural Beauty. To those tightly-constrained town boundaries must be added the extra inhibiting ingredient that Cheltenham itself is the subject of the largest Conservation Area Order to be applied to any town in

the country.

The planners have to approach all Cheltenham's problems of growth, expansion, and the pressures of brought about by prosperity, with the thought in mind that it is their job to protect something which has been formally recognised by the Secretary of State for the Environment as being a unique environment.

Luckily for its own survival Cheltenham is a town richly endowed with open spaces and park lands. While those green areas are being protected and preserved, small areas where building is possible are being developed intensively to maximise use of the few sites available.

The county has identified a need in the wider Cheltenham district for about 100 extra acres of industrial land up to the mid-1990s. "We think we can find it by combining our what is available," says Mr Charles Watson, principal assistant county planning officer.

Between Gloucester and Cheltenham a potentially rich site for development is Staverton Airport which is jointly owned by the two councils. There are ambi-

tious proposals afoot to develop parts of the site to provide industrial premises, offices, and one or more hotels. But the fly in the ointment is that the site is all within the Green Belt - which is designed to physically separate the two towns. Given Environment Secretary Mr Nicholas Ridley's present staunch defence of Green Belt land for the future for development at Staverton seems bleak. It is more likely that commercial and industrial expansion in the area will take place around the M5 motorway (the county council has a number of possible sites near Junction 9) together with building on an old airfield site of 100 acres at Brockworth some four miles south of Cheltenham.

Gloucestershire finds it does not need to promote itself to attract new industry. There is usually a file of interested companies looking for sites at county hall, Gloucester. Unemployment in the Cheltenham area than anywhere else in the county. The planning authorities at county and local level are acutely aware that land is a renewable resource. They also know in the forefront of their minds the fact that a responsibility exists to protect the existing assets of land, scenery, architecture, and heritage, which together make Gloucester such a favoured county.

Gloucestershire is still a fast-

growing county. People want to live there either in the towns or in the convenient and pleasant villages. Car ownership has risen by 25 per cent in the last 7 years in the county while the population has risen by 5 per cent. Meanwhile the number of old people is growing - by 15 per cent in the next few years according to projections - throwing additional burdens upon the county's resources. Retailing is a big growth sector in the county with big stores and out-of-town shopping centres snapping up sites wherever they can be found. Tourism is probably the second biggest growth area in terms of activity. A recent survey published on behalf of the local councils and the Heart of England Tourist Board shows that tourism is now worth more than £70m a year to Gloucestershire.

Gloucestershire as a whole, and the Cheltenham district within the county, share a strong mix of manufacturing industry, service activities, warehousing, and tourism, which should ensure the region will ride any future recession as effortlessly as it rode the last one.

Gloucestershire encapsulates the changes of Thatcher's Britain

## Contrasts county-style

## Profile: Cheltenham College



## Reaching out

THE EVOLUTION of Cheltenham College - originally an independent school for boys but now with 520 boys and 50 Sixth Form

girls - mirrors the changes in the town itself.

Founded in 1841 on a site in the town, and the oldest of the Victoria

public schools, the college in the 19th and early 20th centuries used to see its job as providing the Right Stuff to go out and serve the Empire. It was the perfect match for Cheltenham town - retirement home for so many Indian Army officers.

Mr Richard Morgan, the headmaster, says frankly that nowadays his concern is to produce entrepreneurs who will go out and keep Britain in the forefront of world industry and commerce. It is an attitude wholly in sympathy with modern Cheltenham where an abnormally vigorous enterprise culture exists - and is reflected in the diversity of industrial and commercial activities.

Mr Morgan, who read economics and law at Cambridge, seeks a balance in the school between a sound education and what he calls "the new world" of industry and commerce. He and his staff have devised some novel ways of instilling that cultural mix since he became headmaster ten years ago. They are also following an old tradition of the college for in its early years it took a lead among the public schools in liberalising the education of the times with the teaching of science and modern languages in addition to classics and mathematics.

Reaching out to the commercial world the college has now forged links with a number of local companies. Lower Sixth Form pupils go out into the town to be subjected to mock interviews provided by the personnel managers of 80 companies in and around Cheltenham. Some can now go to the United States or Japan on scholarships to study with industry in those countries for periods of weeks. "It is a rare early experience for a pupil to have on his cv," says Mr Morgan, "and we hope it will influence the thinking about careers in that important time before going to university."

His philosophy about serving the present needs of the country in the wealth-creating industries

Prepared for the new world of industry and commerce: Cheltenham College's microelectronics department

does not, he insists, involve any neglect of academic performance. "Rather it is grafted on... but academic qualifications are not enough. You need a width of experience and thinking in this world".

He charges public schools with having tended to be parochial, and he is determined that Cheltenham College's boys and girls, while at school, should gain the widest possible experience of social conditions and the industrial and commercial worlds.

Computers play an important part in Cheltenham College's life. It has become the only independent school to be chosen by Apple Computers as a learning centre with an information technology unit equipped with Apple computers.

The college expects to carry out research programmes for Apple. Meanwhile the college already has its own electronics trading company which has invented such items as a radio panic button for the elderly and a fire alarm for the deaf. Both those inventions are now being marketed by commercial companies. The college company has brought out five new products in the last year and is now in a profitable trading position.

For a college which used to revolve around military attainments (14 old boys have been awarded Victoria Crosses) Cheltenham College has gone through some remarkable changes. Although fees for a boarder now exceed £7,000 a year demand for places is high. The commercial challenge appears to have replaced the military tradition most adequately.

Mr Morgan expects at least 70 per cent of his pupils to go on to university and then, often, into a business career. He is a trifle and that the career flavour of the moment among his school-leavers is predominantly for law and accountancy. But he says "I hope we will be able to change that and get them into the wealth-creating world".

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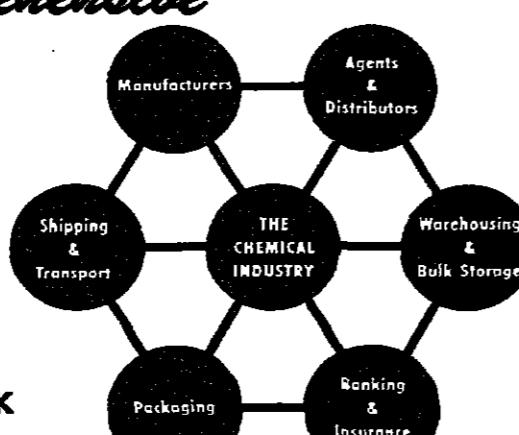
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ROME AND ANOTHER v  
PUNJAB NATIONAL BANK  
Queen's Bench Division  
(Commercial Court)

Mr Justice Hirst: July 6 1988

THE COURT has power to order discovery of documents on a defendant's application to set aside the writ for irregularity of service, but it will rarely exercise such power and will not do so if discovery is unnecessary for fair disposal of the application.

Mr Justice Hirst so held when refusing an application by the plaintiffs, Mr Christopher William Rome and Mr Andrew Barthurst, for an order for discovery of documents on a summons by the defendant, the Punjab National Bank, to set aside their writ.

HIS LORDSHIP said that the plaintiffs sued on their own behalf and on behalf of a number of other Lloyds' syndicates, claiming a declaration that two insurance policies, under which the Punjab National Bank was the assured, had been validly avoided. They claimed repayment of over £25m paid pursuant to those policies.

The writ was issued on February 24, 1988 and served at 1 Milk Street, London EC2. The bank sought an order pursuant to RSC Order 12, Rule 8 that service be set aside, and/or a declaration that the writ had not been duly served.

The ground of the bank's application was that it had no place of business in Great Britain.

The bank's evidence was that it had carried on business in London, but by late 1986 it resolved to close its UK offices. The winding down operation during 1987 was carried out by two of its employees from the offices of the State Bank of India at Milk Street. By the end of 1987 the transitional period was over and

the bank surrendered its banking authorisation to the Bank of England with effect from December 31, 1987. Nothing remained of its business.

On the present application for discovery the plaintiffs submitted that, contrary to the bank's evidence, it had an established place of business at Milk Street since the writ was served. They based their application on three letters which recently came into their hands.

The first, dated May 19, 1988, was written on State Bank of India notepaper at the Milk Street address, and signed "Harwant Singh Manager - PNB cell". It was addressed to a Mr Scriven and said that "consequent upon closure of Punjab National Bank's UK operation on December 31, 1987 . . . the bank's pension scheme was being wound up. The letter offered an option to transfer to another scheme.

The second letter was Mr Scriven's reply. The third, also on State Bank of India notepaper and signed under the same description by Mr Harwant Singh, was dated June 8, and addressed to Mr Scriven's financial adviser.

The essence of the plaintiffs' case based on these letters was that the fact that Mr Harwant Singh signed himself as "Manager - PNB Cell" was a clear indication that the bank continued to perform business functions within the UK and to maintain an established address at Milk Street.

They sought discovery of all documents defining Mr Harwant Singh's capacity and of correspondence signed by him in the capacity of Manager of the Punjab National Bank Cell in London.

RSC Order 12, rule 8(1) provided that a defendant who wished to dispute the court's jurisdiction by reason of irregularity in service should apply for an order setting it aside, or for a declaration that it had not been duly served. Rule 8(3) provided that, on hearing such an application, the court, if it did not dispose of the matter in dispute, may give such directions for its disposal as may be appropriate.

The general rule is that applications for discovery of specific documents were contained in RSC Order 24, rules 7 and 8. By rule 7 the court might make an order if the application was supported by an affidavit stating the defendant's belief that the document "relates to one or more of the matters in question in the cause or matter". By rule 8 the court "shall . . . refuse to make such an order . . . if discovery is not necessary either for dismissing fairly of the cause or matter or for saving costs".

Mr Buttig for the plaintiffs submitted that the court had jurisdiction to make the order sought on the footing that an order for discovery was "an appropriate direction for the disposal of the application" under Order 12, rule 8(3).

Also, he said, the application was within Order 24, rule 7, since the plaintiffs' affidavit evidence demonstrated by reference to the three letters that the discovery related to "one or more of the matters in question in the cause or matter", namely whether the court had jurisdiction.

Mr Brindle for the bank accepted that the wording of Order 12, rule 8(3) was capable of bearing Mr Buttig's construction, but submitted that the preferable interpretation was much narrower, namely that it was limited to directions of an administrative character.

On Order 24, rule 7, he submitted that the application did not relate to "one or more of the matters in question in the cause or matter". He relied on *Balkin v Bilton* [1981] 1 QB 523. There the

Court of Appeal held that "matters in question in the cause or matter" meant matters in issue in the action itself, and not matters in issue in an application for a Mareva injunction.

Jurisdiction existed under both

Secondly, applications to set aside a writ for irregularity of service were fairly common and were normally dealt with on merit. It would be most undesirable and productive of extra delay and unnecessary expense if applications for discovery were to become a common feature in such cases.

In exercising its discretion, the court's cardinal consideration under Order 24, rule 8 was whether it was of the opinion that discovery was "necessary for the fair disposal" of the application.

The bank's pension arrangements were no more than an aspect of the machinery to give effect to discontinuance of the UK business. Nothing in the three letters was inconsistent with the bank's evidence. They raised no vestige of a suspicion that the information supplied was other than full and frank.

That was underlined by the fact that two letters were written on State Bank of India notepaper, thus suggesting the State Bank and not the PNB was the effective author. The description "Manager - PNB Cell" seemed perfectly apt to connote the office entity within the State Bank handling the loose ends of the now defunct business. Also, the first letter stated that the pension scheme was in the process of being wound up "consequent on closure of PNB's UK operations on December 31, 1987".

The plaintiffs had completely failed to satisfy the court that discovery was necessary for fair disposal of the application.

The application was dismissed.

For the Bank: Michael Brindle (Slaughter & May).

For the plaintiffs: Stephen Buttig (Bax & Co)

Rachel Davies

Barrister

## NEW INTEREST RATES

## HOME LOAN RATE

Increased by 1.55% to 11.3% per annum (APR 11.9%)  
with effect from 12th July, 1988.

## HOUSE MORTGAGE RATE

Increased by 1.55% to 11.3% per annum (APR 11.9%)  
with effect from 12th July, 1988.



**MIDLAND**

MIDLAND BANK PLC, 27 POULTRY, LONDON EC2P 2BX

## APPOINTMENTS

## British Aerospace reorganisation

The managements of the military aircraft division and of the dynamics division will each be re-organised as subsidiary companies of BRITISH AEROSPACE.

Together with Royal Ordnance, the three units will have a common chairman, Mr R.H. Evans.

The management of the civil aircraft division (which includes responsibility for the company's involvement with Airbus Industrie and British Aerospace Inc) will also become a subsidiary company with Mr S. Gillibrand as chairman.

The management of the space and communications division becomes a subsidiary company under the chairmanship of Sir Philip Lygo, chief executive of the parent company, who also becomes chairman of British Aerospace Enterprises.

At MACRO 4 Mr Tony Staples has been appointed UK managing director - he was UK sales director. Mr Terry Kelly becomes group executive chairman, succeeding Mr Jim Feeney who becomes a non-executive director. Mr Alex Pincus has been appointed sales and marketing director from July 18.

Mr Gerald Dennis, deputy chairman of B.A.T. Industries and chairman of Parker Pen, has been appointed a part-time Civil Service Commissioner.

HICKIE BORMAN TRAVEL GROUP has appointed Mr Christopher Turnbull as managing director.

Mr Clive Steiner, founding partner of Clive Steiner & Associates, has been appointed managing director of MORISON STONEHORN CORPORATE FINANCE, a director of Morison Stoneham Management Consultants, and a partner with Morison Stoneham.

Mr David Beckett has been appointed training and development manager of THE WOOLWICH BUILDING SOCIETY.

Mr Ian Ibbotson has become managing director of LUPOFRESH; Mr Bob Jewsbury, finance director and company secretary; and Mr Chris Barker, sales manager.

Mr Gordon Rycroft, formerly group director-operations, Lloyds FURNITURELAND HOLDINGS has appointed Ms Lynn Llewellyn-Jones as group design director, and Mr James W. Cook, chief executive of City and Corporate JACKSONS BOURNE END has appointed Mr Richard Williams as finance director. He joins from Argyll Foods, where he was director of planning and operations analysis.

Mr Gordon Rycroft, formerly group director-operations, Lloyds

Communications Group, as a non-executive director.

Sir John Sparrow has been elected chairman of UNIVERSAL TIRES SUPERANNUATION SCHEME. He retired from the Morgan Grenfell Group last May.

Mr Alan Marriott, technical director of the British Paper and Board Industry Federation, has joined INTEL AUTOMATION.

Mr Moray Duguid has been appointed managing director of ITALIANA, part of Cadbury Schweppes. He was managing director of Hestian Kidulcraft.

Mr Richard Overy, computer manager, has been appointed to HOSEASONS HOLIDAYS main board. Mr David Holman has been appointed a director of Hoseasons Holidays Abroad.

Mr Brian Steward, sales and marketing executive, has been promoted to sales director of SHERWOOD COMPUTERS.

Mr J. Davies has been appointed to the board of DEVITT GROUP.

Mr Anthony Umney has been appointed a director of G. MAUNSELL & PARTNERS.

Mr Stephen Raven is joining the board of CHARLES FULTON SECURITIES, securities broking arm of the International City Holdings group. He becomes chairman of Charles Fulton (IDB), and Charles Fulton Equity (IDB), the UK Gilt and equity inter-dealer brokers, when he takes up his post on August 15. He is a former director of Warburg Securities and former deputy managing director of County NatWest Securities. He will continue as a member of the International Stock Exchange council, where he is chairman of the Europe 1982 committee, and deputy chairman of both the UK equity markets committee and the international equity markets committee. He will continue as a director of the International Securities Clearing Corporation in New York. Mr Bill Fay, a director of Charles Fulton Securities, has been appointed chief executive of Charles Fulton (IDB), and of Charles Fulton Equity (IDB). Miss Susan Gaston, a founder member of MKI Securities International, has been appointed managing director. At Charles Fulton Equity (IDB) Mr Howard Cherlin becomes managing director, and Mr Brian Modlock and Mr Anthony Heale have been appointed directors.

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Lotus Symphony

## ARTS

## London Exhibitions/William Packer

## Surrealism lives on in fashion

Ever since the lovely nymph Daphne escaped the advancing and impudent Apollo by being changed by the gods into a laurel tree, civilised and artful woman has known the uses of sudden transformation. The erotic effect, if not the purpose, of High Fashion is none the less manifest. For serious fun, fancy dress and carnival masques, balls and parties, the matter becomes overt.

Such things have a history as long as clothes themselves, but it was Freudian analysis that helped to supply a persuasive theory. In *Surrealism, High Fashion* – discovered an authentic movement of the avant-garde that might have been its very own, and has never let it go. While Surrealism as a movement has long since dissipated its pure, narrow, cohesive energy, its influence diffused into the broader currency of late 20th century art, in the applied disciplines of fashion design it remains as lively and imaginatively potent as ever.

The point is well made at the Victoria & Albert Museum, in the exhibition *Fashion & Surrealism* now on view (until August 7, though it may be extended). Nothing makes clearer this essential consistency than the fact that, though very latest extravagances of flagrant self-display by such designers as Karl Lagerfeld, Jean Paul Gaultier or the torpedo breasts, or the fashion photography of Bruce Weber, are strong and stimulating in themselves, they are hardly new. The truer strength and originality, still repeated in elegant vari-

ation today, are to be found in the work long before the war of Elsa Schiaparelli for example, the greatest surrealist couturier of them all; and in the images of Man Ray, Horst, Beaton, and Hogeny-Huene. Also there were the artists – such as Dali, de Chirico, Tchelitchew, Berrard, Eileen Agar and Leonor Fini – who were employed by adventurous editors and designers as a matter of course. Some of Dali's most characteristic work, such as the collage commissioned to advertise Hyatt Stockings in America, *Vogue* in the 1940s, came out of this kind of collaboration.

The whole Freudian menagerie is here in wonderful decoration, abundance, fur and feathers, flies and bees, reptiles, fish, shellfish, lobsters everywhere, and barrels-loads of assorted fruit and veg and a positive undergrowth of flowers, leaves and branches. One of the liveliest things of all is a cape of green silk rose leaves by Schiaparelli, of the late 1930s, that renders Adelle Lutz's ivy leaf jacket and tree trunk trousers of the 1960s merely incongruously amusing. Schiaparelli is indeed the star of the show; Ernst, Magritte and Dali the pervasive influences; and Man Ray, in photographic invention going back to the early 1920s, the precising genius.

It is a nice coincidence but rather bad luck on Claus Oldenberg, the American Pop-art sculptor, that his retrospective show, *A Bottle of Notes & Some Voyages*, now up the road at the Serpentine Gallery (until August 26) sponsored by The Henry Moore Foundation, Momart, Visiting Arts and The Museums & Galleries Commission, should be upstaged quite so sleekly. For it too is a worthy, engaging and, within its limits, significant show by an artist most typical of his time, the 1960s. He well deserves this reappraisal, which was organised by the Northern Centre for Contemporary Art in Sunderland and the Northern Studio Centre for Sculpture in Leeds, where it has already been seen. From London it travels on to Swindon, Duisburg and Malmö.

It is Pop-art, the child of Surrealism, talented, precocious and diverting, but one without the peculiar resources so it turns out, over to grow up. Shifts of context, shifts of scale, bizarre juxtaposition, surprised and concentrated attention visited upon the banal and everyday – all the tricks of Dada and Surrealism are there to be played with, though Oldenberg does with fine sophistication. But he is also the victim of that curious American trait, which fixes the successful artist forever not merely in the genre, but with the style and imagery within it by which he made his name.

Oldenberg's soft sculptures of the 1960s, for which he took as images the most ordinary domestic objects – a typewriter, an electric plug, a cigarette end – which he then blew up out of all proportion, were hardly the most

Jean Paul Gaultier's Corset Ensemble, 1987

beautiful things in the world but they at once amused and challenged our preconceptions of what sculpture was and might be. So confined in this light, witty, conceptual way, in drawings and models for grandiose engineering schemes – bridges, dams and monuments – that could never be realised. Or would they?

The giant screws that have come to obsess him bend curiously together to support the bridge stung below, the giant saw cuts into the trunk to bridge the river. A giant black torch ready

does now stand in its face before

the University of Nevada at Las Vegas, a huge black tower that

would seem to have an authentic monumental presence, to judge by the video film. But then this very form confers the necessary degree of plausibility, even whimsy.

The screws and saws, the

ends and burn, the electric

plugs are all more specific in their reading, and surprise and puzzlement soon wear off.

Is the shift to a massive scale the only thing that interests him? Surely not? But one longs for the hint of a more sceptical engagement in the work, that would allow the work to grow and change, and the informing ideas develop with it. The trouble with Surrealism, as well, is that too often the idea alone is sufficient, the realisation merely the mechanical statement of a thought already flown. Perhaps, in the ephemera of High Fashion, Surrealism too found its true proportion.

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proportion.

*Intermezzo/Munich*

## Max Loppert

With the second new production of the Munich Opera Festival – *Intermezzo*, Strauss's "domestic comedy with symphonic interludes" – the intention of devoting a Strauss celebration by putting on all his operas began at last to be fulfilled in earnest. The first few days of the festival had brought some degree of disappointment – not just the new *Liebe der Danae*, on which I reported last Saturday, but others as well (more of them below).

The production, by the theatre producer Kurt Wilhelm, keeps the curtain up and the action going during the interludes. I was ready to judge this grossly unmusical, an interference with the structure (for, after all, the interludes should work on dramatic unfolding on another, more or less level), but in the event failed to do so, since the filling-in touch was almost always disarmingly light, and the scenery (amusing flats and props designed by Jörg Zimmermann) was trodden on and off with madcap élan.

The best thing about the production was also the most important: the abundance of exactly characterised comic acting, not just from the leading couple, but from Adolf Dallapézza's Baron (a spell-bindingly brilliant star in hand-kissing smirks), the third-party quartet (including Ulrich Reiss and Alfred Kühn), and a whole bevy of harried servants led by Helene Jungwirth's Anna. This was, in sum, one of those operatic experiences, inevitably few in number, where work, place of performance, and executants come together to add to one's knowledge of the art-form and, in this case, of Strauss's contribution to it.

*Intermezzo* is the portrait-in-opera of a married life. The Strauss marriage, of course, focused on a misunderstanding that nearly sours it. It's a tricky proposition. The conversational tone, the fleet movement of scenes, the need to match light even (with times), an edge of seriousness to them) and a large orchestra bring into action in the interludes, are all operatic quantities that require an absolute certainty of style in the balancing.

In this respect the hero of this performance was the conductor, Gustav Kuhn. He has conducted it at Glyndebourne with the same leading lady, Felicity Lott (making here Munich debut); and his ability to keep the musical proportions exact and the dramatic momentum unfaltering seems more remarkable than ever. Nothing in the orchestral playing (a spiffid guest stint by the Bamberg Symphony Orchestra) went by unconsidered or lacking real dramatic purpose – and to this particular member of the audience, who in the past tended to dismiss the work as the *Rosenkavalier* words "the Farc and winter nights", the curious, tender, rufous, and affecting quality of the comedy was made more apparent than ever before.

He has, in Hermann Prey and Miss Lott, a Robert and Christine Storch (wife Richard and Pauline Strauss) who hold the central spotlight with the same shining intelligence and command of style. Prey has been playing this part for so long that the character seems to take on a second-skin aspect of the performer; the unstated and still vocally expert account of what is, after all, a highly taxing "sing" (in tessitura not least) is surely a miracle. Memories of Hanny Steffek's long-cherished Christine are still vivid here, which is perhaps why nervousness, and consequently an unusual amount of flutter and low-register dryness, got into the English soprano's tone before interval (it was in time for a radiant final scene). But the comic skill was of a very high order throughout, the ability to glance sparkling inflections of the German text likewise – in this role Miss Lott's ability to blend cool elegance with a touch of

The same could not be said of either *Die Liebe der Danae* or two Strauss revivals also encountered in the festival opening week, *Der Rosenkavalier* and *Ariadne auf Naxos*. Cancellations had hit both hard – Lucia Popp's long illness is denying the festival her Marschallin, Arabella, and *Capriccio* Countess, and Edita Gruberová's sudden indisposition did the same for *Zerbinetta*. The similarly sudden illness of Carol Vaness led to the cancellation of a much looked-forward-to *Rossini Moses* – apparently no other *Ariadne* could be found – and its substitution by a very tame *Bohème*.

The replacement Marschallin, Janis Martin, was passable, not really distinguished (the large voice, basically still fine one, sounded frayed at the top and bottom edges as – to a much greater extent – did that of her Octavian, Brigitte Fassbaender).

Ruth Welting's *Zerbinetta* remains an efficient baby-doll number, as it was at Covent Garden, but the prettiness of tone is now considerably diluted with impurities. Both performances – *Rosenkavalier* conducted by Jiri Kout, *Ariadne* by a below-par Wolfgang Sawallisch – offered uncomfortable quantities of orchestral tiredness, not to mention an excess of exposed mis-haps.

And, to be fair, both offered some saving graces as well (Helen Donath's Sophie, still beautifully pure, Kurt Moll's Ochs, finely seasoned, Elizabeth Connell's Ariadne, fluent and responsive if lacking ideal vocal colour, and in both operas a whole host of apt cameo contributions). But the final impression was of "house" performances, of un-festive ordinariness. It can be no joke trying to keep International Opera going, especially not during an arduous Strauss marathon.

## Saleroom/Anthony Thorncroft

## Tribal disappointment

Sotheby's did not manage the auction record it optimistically anticipated for an object of tribal art yesterday, but the \$20,000 paid for the head of a staff god from the South Pacific island of Rarotonga was mildly encouraging. There are very few collectors at the top end of this market but there was enough competition to project this carved head, 19 inches high and made near the end of the 18th century, into the bottom of its price estimate.

The head has an excellent provenance, having been brought back by the Reverend Williams, the first missionary to the island, in the 1820's. It had been sold at Christie's in 1979, in the famed Hooper dispersal, for \$121,000. The auction totalled \$249,632, with 32 per cent unsold, rather a disappointment because it had been crammed with good things.

Hales, the London dealer, paid \$27,500, way below forecast, for a small Easter Island dance paddle of the mid 18th century and butils until last year. The cast includes Giovanna Casella, Bruno Baglioni and Silvana Carroll. Report of Pietro Zaffi's 1987 production of *Aida* with glistening metallic sets and costumes conducted by Donato Renzetti, with Maria Callas, Franco Corelli and Franco Bonisolli as Radames. (550,100).

There have been two fun sales. Phillips disposed of river craft for \$162,137, with 25 per cent unsold. Another large red figure amphora of around the same period made \$35,500, also above estimate, and a red figure krater by the Tyszkiewicz painter, also 5th century BC, went for the same sum.

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## FINANCIAL TIMES

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Tuesday July 12 1988

## Iran looks to the UN

TODAY'S special meeting of the United Nations Security Council, called at Iran's request to discuss the shooting down of an Iranian airliner by a US warship over the Gulf on July 3, constitutes a remarkable reversal of Tehran's attitude to the world body.

Ever since October 1981, the Iranians have boycotted the council, arguing that it was hopelessly biased towards Iraq over the Gulf war. They have stalled in their response to resolution 598, which ordered an end to hostilities between Iran and Iraq almost exactly a year ago.

Yet today we see Iran turning to the council to take up its case over the shooting down of the Airbus. Its ostensible intention, set out in a series of speeches by Iranian leaders over the last week, is to secure clear international condemnation of the US action, and to ram home the point that the affair, contrary to what President Reagan said last week, is far from "closed." Tehran also wants the council to ask the US fleet to withdraw from the Gulf and to order an international inquiry into the airliner incident.

### Skillful campaign

Much of this is unrealistic. But Washington yesterday demonstrated its sensitivity to the skillful campaign Tehran has waged to exploit world sympathy over the incident by promising to pay compensation to the families of the 290 people killed. This is a welcome gesture. But if Iran is shrewd enough in presenting its case, it has the potential to split the council and inflict further embarrassment on the Reagan Administration.

Broader issues are at stake today. Mr Ali Akbar Velayati, the Iranian Foreign Minister who will be present in New York, has described the meeting as a political "test" of the Security Council. Other senior figures in Tehran have indicated that they are looking to the UN for greater flexibility towards Iran's grievances in its war with Iraq.

It is important that the agenda for today's meeting, which will be broadcast by Brussels, should be broadened to include the Gulf war. If it were not for Iran's prolongation of the conflict, after all, the US fleet would not be in the Gulf in such force, and the tragic

## Reciprocity in financial services

The UK has once again flexed its muscles with Japan over the issue of access to Tokyo's securities markets. For two months, it stopped the Japanese becoming gilt-edged dealers in order to put pressure on Tokyo to grant stock exchange membership to two UK houses which have been applying for over a year.

The exercise was apparently a failure because the ban was lifted last week without the memberships having been granted, though the UK Government could claim that it was not completely futile since it gave Mrs Thatcher the chance to press home the UK's concerns at a meeting with her opposite number Mr Takeshita.

The dispute raises the broader question of European Community policy on reciprocity which is now emerging as one of the major debating points in the Community's plans for a single market, particularly in financial services. Here the British position looks more ambiguous.

### UK opposition

The two key pieces of proposed EC financial services legislation – the directives on banking and investment services – both lay down as a condition for allowing institutions from non-EC countries to establish themselves in the EC that their home countries grant reciprocal access for EC banks and securities houses. Despite the Japanese incident, the UK is strongly opposed to these measures and wants to see them removed before it will approve the directives.

Officially, Britain's objections are that reciprocity will have to be centrally administered by Brussels and will therefore lead to a loss of home control over the UK financial services sector. The UK has also described the measure as protectionist.

But there is also an underlying concern in the UK about the potential threat to London's interests which this form of reciprocity poses: any dispute – even one not directly involving the UK – could damage London because of the leading position it occupies in the European finance industry. There is also a fear that Brussels will make excessive use of these reciprocity powers.

There is something to be said for holding to the principle of reciprocity. Although the latest Jap-

Charles Batchelor looks at the increasingly popular management buy-out

## Where Britain leads the field

IN BRITAIN Reed International announces agreement with senior managers on a £620m buy-out of the publishing group's European paper and packaging interests.

In France, earlier in the summer, the managers and owners of Darty, a leading electrical retailer, stage an ambitious FFr 7.1bn (2870m) buy-out which removes their company's listing on the Paris Bourse and with it the possibility of a hostile takeover bid.

And even in West Germany,

where businessmen and bankers have proved stubbornly resistant to the idea of the buy-out venture capitalists are starting to take confidence of a coming wave of new deals.

The management buy-out has taken off in a big way in Britain over the past decade. Now it is starting to make inroads into the more conservative managerial and financial culture of mainland Europe.

The British imported the idea

from the US at the end of the 1970s, though they have modified the American model. In Britain it has been managers who have initiated most buy-outs, unlike the US where investment bankers play a far more aggressive role.

Interest in the UK have involved far lower levels of borrowing so that there have been no need to sell off large parts of the company to reduce the level of debt

– a common practice in the US.

Initially the buy-out was seen

as a way for owners of large diversified groups to get rid of poorly performing businesses

early. But as the economy improved it became a way of selling

profitable businesses which for one reason or another did not fit into the parent company's health.

In itself, the fact that Iran is on the defensive is not unwelcome, but it should not cause the world to overlook the methods used by Iraq to achieve that result, especially its use of chemical weapons on a large scale.

A resolution which gives Iran a degree of political satisfaction could help to strengthen the position of those leaders like Hojatollah Ali Akbar Hashemi Rafsanjani, the parliament speaker and acting military commander in chief, who argue that diplomacy can pay dividends. And this might eventually have knock-on effects on the UN's attempt to end the conflict.

Negotiations to implement resolution 598 have been in stalemate for several months now, but Mr Javier Perez de Cuellar, the UN Secretary-General, has at least been able to keep the door ajar for further talks which might lead to a *de facto* ceasefire, if not a formal one. A sympathetic gesture in Iran's direction today – perhaps reassuring the need to identify the original aggressor in the war – could open the door wider.

For the manager the buy-out offers the prospect of controlling his own destiny and taking a stake in the equity of his business. For the investors the lure is that of a higher return than that available from conventional corporate lending with only a modest increase in risk.

"The banks are failing over themselves to lend big chunks of money at 2 percentage points above base rate," says Mr Robert Smith, managing director of Charterhouse Development Capital, a leading British deal-maker.

"Compare that with the fraction of one per cent above base they would be getting if they lent to ICI."

Some buy-out companies have had to reschedule their debts or bring in new managers but the failure rate has been remarkably low. Si, the venture capital group owned by Britain's banks, expects just one in 10 of the buy-outs it backs in to go down compared with a failure rate of one in three for the start-up companies it funds.

Britain still leads the field in

buy-out activity, with 335 deals worth \$2.25bn completed in 1987, according to Nottingham University's Centre for Management Buy-out Research. But France

has taken to the buy-out with

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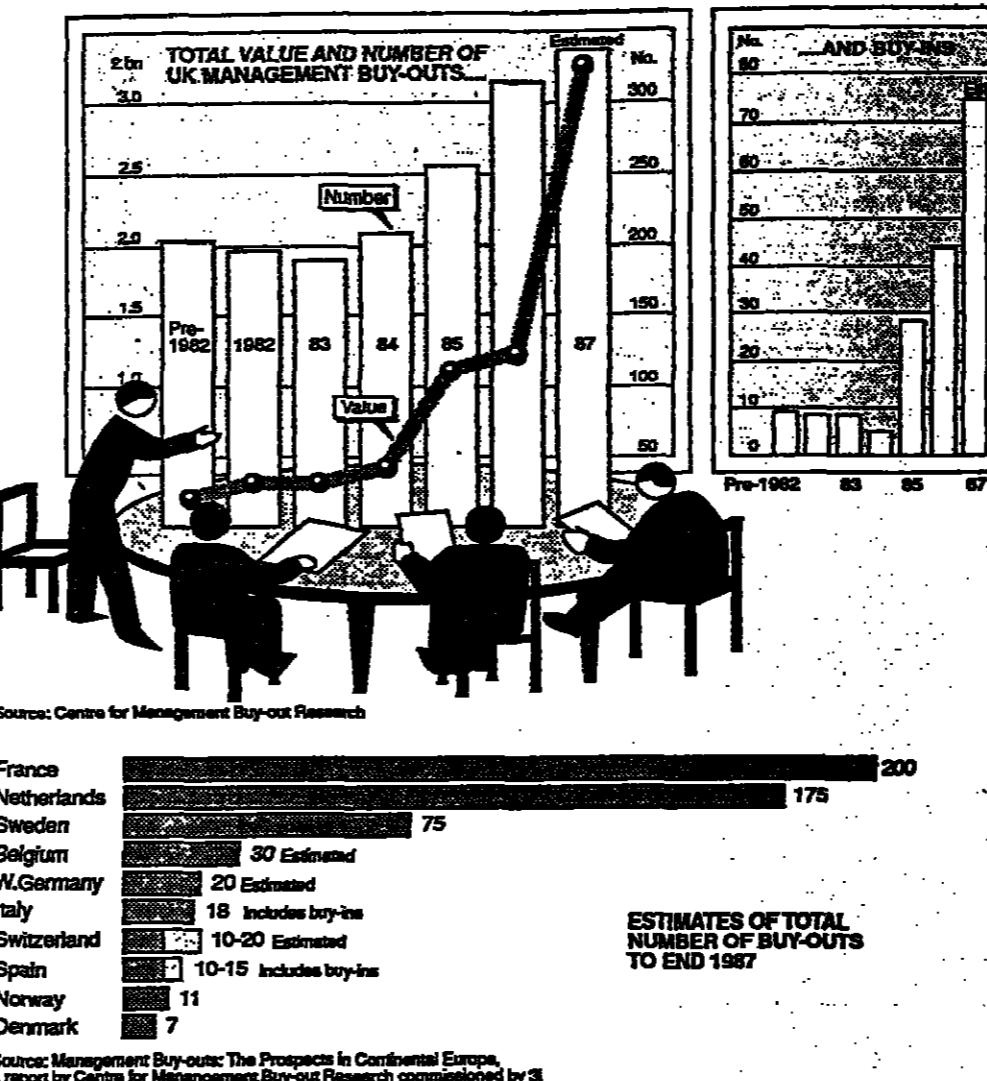
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in southern Europe, where the

financial sector is less well developed, buy-outs are on the

increase.

Buy-outs inevitably reflect the



Source: Management Buy-outs: The Prospects in Continental Europe, a report by Centre for Management Buy-out Research commissioned by Si

varying business climates prevailing in the different countries of Europe but there are several common threads to their increasing popularity.

There is a growing awareness of the fact that big is no longer beautiful and that small companies have an important part to play in the creation of wealth and new jobs. This has led to a move in government programmes away from supporting heavy industry to promoting the small firm and with it the management buy-out.

This switch in attitudes is leading to changes in the legal and taxation systems to favour the buy-out. France introduced legislation in 1984 granting tax concessions to employees who staged a buy-out and followed this up three years later with further changes to widen the range of investors who could take part and to reduce the amount of red tape.

Last January France changed its tax rules to allow companies to offset losses made in one part of a group against profits made elsewhere. This move had important implications for buy-outs where a new company is created by the buy-out team to bid for the existing business.

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in Europe has been given by the restructuring of some of the US multinationals which built up large European operations throughout the 1960s and 1970s. As these companies have concentrated on their core businesses they have been divesting their peripheral operations.

Managers from eight countries staged a complex, \$55m (338m) buy-out of Electro-Nite, a Belgian-based supplier of measuring equipment to the steel industry, from its US parent late in 1986.

The French, in particular, regard the buy-out as a way of securing management succession: Spain, Germany and Italy have large numbers of companies facing the same dilemma.

A study carried out last year by the Patronat, the French employers' organisation, found that one in four of the 40,000 French companies employing 50 and 1,000 people would undergo a change of ownership by 1990 because the proprietor had reached retirement age.

"If you can arrange for the transfer of ownership of a company employing 200 people you have achieved the same result in employment terms as if you had started 200 new one-man businesses," says Armand Lepas, director of general economic affairs at the Patronat.

The attraction of a buy-out for a family-owned concern is that a deal can be done quickly and in confidence with managers, steeped in the tradition of the

company for nearly as much as they paid for the whole of it 2½ years earlier.

If buy-outs were just financial engineering – the derogatory term applied to deals with no commercial substance – then they would be in trouble. But research carried out by the Nottingham Buy-out Centre has failed to establish themselves.

But if some management

regard the buy-out as a first step on the road to flotation, others see it as an escape route from the problems and perils of a public

stock market.

In Britain Richard Branson announced last week he was considering a management buy-out of Virgin, the entertainment company which he took to the stock market 16 months ago, because its shares have since performed badly. In France the managers and owners of Darty succeeded in their attempt to pre-empt a hostile takeover bid. A second company, Télemécanique, a large industrial automation group, attempted a FFr 8bn (3760m) buy-out but succumbed in June to a takeover bid from Schneider, an industrial group.

A British engineering group, Hadco, successfully fought off a bid from Traigal House, a property and shipping company, in 1985 by means of a buy-out. But in general British institutional investors have proved sceptical

of the value of buy-outs of public companies which will probably be brought back to market – at a much higher price – a few years later.

For all the rapid advances made by buy-outs on the Continent over the past two to three years, Britain remains the main centre for such activity and it is in Britain for such future European-wide trends may first become apparent.

An important development of the past year or so has been the management buy-out. Instead of a business's existing management taking control on outside basis of managers is brought in. The buy-in team lacks the intimate knowledge of the business which the in-house management has, but a buy-in does allow a hand-picked team to be assembled where the existing management is weak.

The management buy-out may also be starting to make way for the employee buy-out. MFI, the British furniture group which was acquired last October for £275m in Europe's largest buy-out, last month unveiled a share ownership plan to allocate 5 per cent of its share free, to staff.

The attitude of local financial institutions is crucial to the development of the buy-out. In France and the Netherlands the banks have been ready to take an active role. In the more conservative banking climate of Germany and Switzerland the process has been viewed with suspicion.

Continental attitudes are starting to change, however, partly due to an influx of British and American banks and venture capital organisations in recent years. Sweden, the Netherlands and France now have large venture capital communities of their own. Germany has only recently established a venture capital association, however, while Switzerland has also been a late

entrant.

The sophistication of the local stock market is another important influence, since many buy-out teams and their financial backers will ultimately seek a flotation. Both the Netherlands and Sweden have active secondary stock markets for smaller companies and a correspondingly active buy-out sector. Secondary markets in Spain and Belgium have failed to establish themselves.

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True, buy-outs have ridden the wave of a booming European economy and have yet to be tested by a downturn. But the speed with which Europe has taken to the buy-out has established it as an essential tool for the restructuring of the continent's industry.

## Argentine's new Peron

In less than a year Argentina has a new president, and it is now a fair bet that he will be the new Peronist messiah, Carlos Menem.

Menem is referred to by detractors as "El Grouchó," which means roughly "vulgar" or "rich, but not taste". His chances of gaining the Presidency dramatically at the weekend when he hammered the main – and highly favoured – rival, Antonio Cafiero, in the internal Peronist elections.

Cafiero represents what might be called the acceptable face of Peronism: relatively well-educated, with a fierce desire to modernise one of the last great mythical myths of our time. He lost.

Why do crowds adore short men with unusual dress sense? Menem is scarcely 5'5" feet tall and generally sports a white leather jacket. His trademarks are his enormous sideboards, streaked with grey, along with a gigantic Rolex wristwatch. He governs one of the poorest and by some accounts worst-run provinces in Argentina, La Rioja.

The Peronist party machine looks down on a man who was born into a Moslem family in a nation where not to be Catholic remains a distinct disadvantage. Thus he became a Catholic, but announced last year that he was separating from his wife – only to reunite with her just before his campaign for the presidential nomination.

The sophisticates of Buenos Aires regard him as a political throwback to a past they would rather forget. His views range from calling for the return of capital punishment to a belief that one of the world's longest-reigning dictators, Alfredo Stroessner of neighbouring Paraguay, was elected by "the people". Stroessner once gave sanctuary to General Peron; ergo, Stroessner is good.

None of that matters for the less advantaged in Argentina. The

## OBSERVER

Menem has that most valuable political asset of all, street credibility. It derives not only from his time in jail under a previous régime but from his Peronist affiliations: his rhetoric is pure Peronism. Suffering Argentina, he says, must rid itself of alien forces which undermine its potential strength. That means foreign capital, the International Monetary Fund, commercial banks, the élite currently in government.

**Holdsworth's drama**

"Most of us know what we shouldn't be doing," said Sir Trevor Holdsworth, the industrialist who resigned as a non-executive director of the Midland Bank rather than comply with regulations about declaring his shareholdings.

"I have lived with conflicts all my life. I have been cleared by the Ministry of Defence and even by the Gaming Act for bingo."

The picture of Holdsworth as a conventional businessman is, in fact, entirely misleading. His great loves are theatre and music and it is perhaps mildly surprising that he has not blown his top more often. Maybe, he says, he gets more outspoken as he gets older.

He should be a

## A solution must include Angola

From Mr Marcel Prawer. Sir, In your editorial, "The Future of Namibia" (FT, July 6), you question the sincerity of Washington's support for UNITA because of the US Government's links with authoritarian regimes.

Dr Jonas Savimbi and UNITA have established a solid reputation in Black Africa, in Washington, and in certain European capitals, as incorruptible, disciplined and deeply concerned with the problems and future not only of Angola, but of Africa. Indirectly, Washington's support for UNITA will have a powerful effect on the "authoritarian systems" in Africa which you mention, and on the inefficiency of human and economic resource development in all these systems.

You also say in your editorial that "a negotiated end to the civil war is a course being discreetly explored by many African countries, so far with little effect". This is not true. The effect is difficult to assess because of the discretion involved, but Black Africa is playing a constructive role in the peace process. If there were to be a Nobel prize handed out on the signing of a peace accord, the Nigerian government could share it with Chester Crocker, the US Assistant Secretary of State for Africa.

Finally, you say that an unresolved Angolan civil war, with the withdrawal of foreign troops and Namibian independence, would be an "imperfect solution". Because of the important role of Angola in the region, it is futile to articulate any serious solution to the complex problems of Southern Africa which does not end the conflict in Angola. This can only be done by direct dialogue between Jose Eduardo dos Santos and Dr Savimbi, leading to a government of reconciliation.

Marcel Prawer,  
Schupbachstr 17,  
B-2018 Antwerp,  
Belgium

## Legal, illegal, illogical . . .

From Mr Paul Magrane. Sir, I can find in John Lloyd's Lombard column ("Drugs, legal and illegal," July 9) no trace of logic.

On the one hand he refers to people being "hooked" on alcohol and tobacco. On the other, he says that people are abandoning these products in droves. He likens alcohol and tobacco to marijuana, heroin and cocaine, implying that Europe's 100m smokers and the multiple of 100m who enjoy wine, beer and other alcoholic beverages are somehow to be categorised as "junkies".

Having thus trivialised society's tragic drug problem - even going so far as to suggest that "legal" drugs may in fact be more dangerous to the health than hallucinogens - he wonders why the use of illegal drugs seems to be on the increase.

When Mr Lloyd and his kind in the growing neo-puritanical movement finally succeed in banning cigarettes and whisky in favour of "pot" and "speed" they will have accomplished in a few years what Caligula could never have achieved: the destruction of societal behaviour as we know it. Paul Magrane,  
Lausanne,  
Switzerland

## Different ways of getting a fix

From Mr N.C. Harrison. Sir, I wish to commend your intellectual integrity in criticising the Government's frequency in increasing interest rates over the past few weeks (Lex, July 5).

The weekly "fix" to which you refer could also extend to your advertising revenue from the announcements of changes in bank base rates.

It is to be hoped that you are not yet hooked.

N.C. Harrison,  
45 The Gallon,  
Sutton, Surrey

## The regime of managed floating has become one of mismanaged floating

From Professor Brian Tew. Sir, Before the 1980s it was taken for granted that the appropriate role of exchange rate changes was to achieve balance of payments adjustment, and not to operate demand management.

The founding fathers of the International Monetary Fund (IMF) were mindful of the misuse of competitive exchange rate depreciation in the 1930s as a beggar-my-neighbour remedy for unemployment, and sought to proscribe such behaviour in the future by insisting, in the original IMF Articles of Agreement, that exchange rate parities should be adjustable only "to correct a fundamental disequilibrium" (by which was meant a persistent balance of payments disequilibrium on a current account, not balanced by non-capitalist capital flows).

When the "Articles" were amended, in 1978, so as to legitimate floating exchange rates, it was recognised that Fund members might opt for managed floating, in preference to "benign neglect" of their exchange rates, but they were in that case explicitly enjoined to "avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members."

## Letters to the Editor

### Improving road and rail for 1992

From Mr C. Jackson, MEP.

Sir, Your recent report that the Greek presidency will be pressing for substantial increases in EC budgetary spending on roads and railways up to 1992 is welcome news. There is a clear "frontier phenomenon" in many member states, with the adequacy and quality of roads deteriorating as the frontier is approached. Despite a recent improvement, Britain is no exception.

Earlier this year, the Prime Minister predicted that by the time the Channel Tunnel is complete, we shall need a second. She may well be right, and my fear is that our trunk road structure in the south-east, leading from the M25 through Kent towards the Continent, will prove totally inadequate to cope with the enormous boost that "1992" will give to traffic.

Cross-Channel traffic forecasts should be redone on a proper economic basis, and the vital frontier roads improved or supplemented towards the upper levels of expectation. If Britain's Ministry of Transport does not do this voluntarily, I shall be asking the EC to provide the cash as an indication of European priorities.

Christopher Jackson,

Scunthorpe, N.E. 17

Scunthorpe, N.E. 1

Tuesday July 12 1988

**COOLCAT**  
That's BTR

## Mexico's opposition disputes preliminary poll results

BY IVO DAWNAY AND DAVID GARDNER IN MEXICO CITY

MEXICO's ruling Institutional Revolutionary Party (PRI) yesterday seized on long-awaited preliminary results to justify its fiercely contested claim to have won last Wednesday's presidential election.

But opposition parties immediately cast doubt on the preliminary data, arguing that the four-day delay in providing even a partial result reinforced their suspicion that the ballot was being rigged against them.

The veracity of these first results trickling out of the Federal Electoral Commission (CFE), headed by Interior Minister Manuel Bartlett and with a built-in PRI majority over opposition rep-

resentatives, is now the central issue in dispute.

Mr Carlos Salinas de Gortari, the PRI candidate and former planning minister, admitted to correspondents last Friday that the credibility of the result has to be the starting point of the next administration.

His closest political adviser, Mr Manuel Camacho, Environment Minister, insisted on Sunday evening that this was "the cleanest election in the history of Mexico." He added: "There is only one set of books (being used) here."

The CFE early yesterday reported that preliminary returns, based on 13.2m votes

cast, give Mr Salinas 52.9 per cent, Mr Cuauhtemoc Cardenas of the broad left National Democratic Front 23.1 per cent, and Mr Manuel Clouthier of the right-wing National Action Party (PAN) 15.7 per cent.

The Commission reports a turn-out of 47 per cent, implying a total of 15m votes cast, dramatically below all parties' estimates.

Mr Cardenas, who at the week-

end declared himself the rightful President-elect of Mexico, called the count into question even before the preliminary results were issued. He said in a letter to Mr Bartlett that the delay had raised "serious doubts about the

handling and credibility of the election figures."

He further demanded to put his case on government-controlled television, which has failed to report opposition fraud claims and ignored the political vacuum created by the lack of results.

Amid signs of serious divisions in PRI ranks, Mr Salinas' aides are trying to fill this vacuum by insisting that at this stage only the ruling party is able to state with confidence that it has won.

Mr Camacho, in an off-the-record briefing which appeared on the front page of all Mexican daily newspapers, said the PRI had representatives in all 55,000 polling booths nationwide, and

that Mr Cardenas' information was incomplete.

Mr Cardenas had claimed on Saturday night to have received 33.8 per cent of the vote against Mr Salinas' 32.3 per cent. That was based on his coalition count of 6.7m votes.

Mr Camacho underlined that for the first time, the PRI would recognise all its defeats, and confirm that the Cardenista had won Mexico city and the contiguous states of Mexico and Morelos - which together holds over a third of Mexico's 85m population - as well as Mr Cardenas' home state of Michoacan.

## US banks granted concession in Basle

By David Lascles in London

US BANKS have won a significant concession in the new international accord on bank capital agreed by central bank governors of the Group of Ten countries meeting in Basle yesterday.

The final version of the accord, which will lay down capital adequacy rules for all the world's major banks, contains a more generous definition of capital than originally proposed by the Cooke Committee of bank supervisors.

Banks will be allowed to include the proceeds of issues of perpetual preference shares in their "core capital." US banks had been lobbying for this change, arguing that they would have difficulty meeting the accord's capital targets without it.

However, the governors said one member country "maintains the view that an international definition of capital should be confined to core capital elements and indicated that it would continue to press for the definition to be reconsidered by the committee in the years ahead."

This is believed to refer to West Germany which has argued that core capital should consist only of equity capital and disclosed reserves, as first proposed.

The governors agreed to a list of countries whose borrowings will qualify for reduced risk weightings in capital calculations. These will be the full members of the OECD and Saudi Arabia. In the original proposals only a bank's home government carried a reduced weighting.

The final accord also extends the reduced 50 per cent weighting on mortgages to non-owner occupied buildings, including homes for rent. The original proposal covered only owner occupied buildings and was considered too narrow.

Apart from some minor technical changes, the accord has otherwise emerged little changed from the version tabled last December. It requires banks to have capital equivalent to 8 per cent of their risk assets, of which half must be core capital.

Finn Barre says Saudis may have problems finding trained personnel for new weaponry

## Riyadh's increasing arms appetite

LAST WEEK'S mega-deal under which Britain sells military equipment to Saudi Arabia worth upwards of £10bn (£17bn) seems likely to exacerbate the kingdom's difficulty in absorbing an increasing range of expensive new weapons.

The Saudi military is already struggling to digest a rich meal of Chinese missiles, American F-15s, Anglo-German, Italian, Spanish and French frigates.

The British deal for, among other items, the sale of 90 Westland helicopters, 50-60 Tornado jet fighters and Sandown-class minesweepers can only add to the strain.

"This trend has got us worried," said one Western defence attache. "It definitely looks like they have got eyes bigger than their stomachs. This obsession with new weapons reminds us of the Shah of Iran."

In recent times, the Saudis have signed a deal with France for 12 Exocet-armed Super Dornier helicopters and several light patrol boats. They are buying 13 Blackhawk helicopters from the Americans.

They have yet to take delivery of all 72 Tornados, 30 Hawk jet trainers and 30 Pilatus PC-9 propeller trainers bought in their first Tornado deal with Britain, valued at £5bn.

Other big, recent purchases include 10-30 Chinese intermediate-range ballistic missiles. The Kingdom has just received the last of its US-built Awacs (airborne warning and control system) surveillance aircraft and tankers.

Furthermore, the Saudi appetite for arms does not seem satisfied with the British deal. The Saudis are still looking for battle tanks to replace their US-built M-60s and French AMX-30s. They have received initial US approval for a sale of armoured personnel carriers.

They are also interested in buying the multiple launch rocket system, a highly-sophisticated American artillery system that is designed for use in high-intensity combat.

A proposal to purchase eight submarines seems to have died of neglect but the Saudi Government has not yet abandoned it; the cost would reach \$1.4bn were it to go through.

On paper, the new weapons appear to add great strength to the Saudi armed forces. In reality, however, they may be detrimental.

To begin with, the Saudis have over-diversified their weapons purchases. French, British, Swiss and American hardware could be joined by Brazilian equipment, depending upon which country wins the tank deal.

Although all the above equipment uses Nato's standard ammunition, machinery differences make it difficult for operators and repairmen to transfer between systems. Even different equipment from the same country requires distinct skills.

Personnel needs present other difficulties. By spreading people thinly over several different weapon systems the Saudis give themselves no reserve in the event of sustained combat operations.

Trained personnel are of critical importance when weapons are in operation around the clock. A less sophisticated fighter that can be kept in continuous operation is more useful than one which stays grounded on the tarmac due to maintenance problems or lack of skilled pilots.

These problems can occur in any army but they are aggravated by peculiarly Saudi difficulties. Although educational programmes are improving the quality of the average Saudi recruit, many are still illiterate and cannot be put in charge of sophisticated, computer-con-

trolled weaponry.

Further, the armed services, despite good pay, are under-staffed. The Saudi army actually declined in strength between 1975 and 1982. Officially it has some 75,000 men, but actual strength may be as low as 35,000. Manpower shortages have left the military base at Haf al-Batin housing half the intended complement.

Shortages in manpower are also found in the other services. The American helicopter purchase was expected to strain the Saudi helicopter training programme. The 12 French Super Dauphins were expected to overwhelm it. If 90 British helicopters purchased, the consequence will be inundation.

In the past, the Saudis made up for manpower shortages by hiring mercenaries. But when they sent home a Pakistani armoured brigade last year, remaining foreigners were left mainly in maintenance and support jobs.

The most likely result of the British deal will be increased reliance on foreign support, which bodes well for lucrative long-term support contracts for British defence contractors. These support contracts can often be worth two to four times the original contract price.

While the Saudis deal with their manpower problems, Britain will have its work cut out coping with the offset programme included in the deal, which requires British manufacturers to offset a portion of the contract value with investments

in Saudi-British joint ventures.

The Saudis first adopted the offset idea when they awarded a \$1.2bn contract to the US to build a command, control, communications and intelligence system to link Saudi air defence with the Awacs planes.

As a pre-condition to bidding on the contract, the Americans agreed to set up a series of aviation maintenance-oriented companies, plus enterprises involved in electronics manufacturing, biotechnology and medical products.

The British offset programme was announced almost as an afterthought when the first Tornado deal was signed.

While the American programme is finally bearing fruit, the British programme has yet to be fully defined. So far, the British have agreed to invest an unspecified portion of their contracts. The figure of 35 per cent of the contract value has been rumoured although it is clearly too high.

The British have now persuaded the Saudis to drop their insistence on high technology investments and to broaden the categories of investment that will qualify for offset. But finding commercially viable investments remains a problem. The Saudi market comprises only 7m people and most Saudi industrial sectors suffer from over-capacity.

The Americans had their own problems coming up with viable investments for their programme. "I think we got all the good projects that were left," one American observer said.

## Shultz attempts to unblock talks on Philippines bases

By RICHARD GOURLAY IN MANILA

MR GEORGE SHULTZ, the US Secretary of State, who will leave office in January, arrived in Manila yesterday to try to unblock talks on the future of two strategically important military bases in the Philippines.

The visit is essentially a personal farewell visit to President Corazon Aquino.

"Our defence relationship makes for a major stability and is a significant part of the web of political ties which gives security and political and economic vitality to the region," Mr Shultz said on arrival.

The talks, which cover the use of Clark Air Base and Subic Naval Base, have become bogged down over the amount of compensation on offer until 1991 and a bill banning nuclear weapons from the Philippines that is passing through Congress and will destroy the usefulness of the facilities if approved.

The talks have a bearing on the strategic balance in the region long after 1991 when the current agreement expires.

Mr Shultz's relationship with Mrs Aquino is said by independent observers to be genuinely close. He has probably done more than any other US official to mend fences that were badly damaged when President Reagan backed President Marcos after he rigged elections in 1986 that eventually brought Mrs Aquino to power.

Mr Shultz's visit is therefore likely to have a considerable impact. One of the messages he will deliver is that Washington recognises the US will probably have to leave the bases by the turn of the century but that in the meantime the US will not enter an "aid bidding war" to gain the right to defend what are seen as mutual interests.

"There are those in the Philip-

pines who think that they should rent (the bases) out at a staggering sum," Mr Shultz told a congressional committee last month. "If that's their view, we'll have to find some other place to have ships and planes."

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## SECTION II - COMPANIES AND MARKETS

# FINANCIAL TIMES

Tuesday July 12 1988



## Kerkorian scores \$200m coup with studio break-up

BY JAMES BUCHAN IN NEW YORK

MR KIRK KERKORIAN, the restless West Coast businessman known for his skill in trading pieces of old Hollywood, announced yesterday that he is raising the best part of \$200m from outside investors in the latest shuffle of the famous film studios he owns, MGM and United Artists.

A deal that is complicated even for Mr Kerkorian, the reclusive dealmaker who will break up his financially strapped MGM/UA Communications company into its two studio components and sell 25 per cent of MGM for \$100m to Mr Bert Sugarman, a Beverly Hills entrepreneur, and two Hollywood producers, Mr Peter Guber and Mr Jon Peters.

The deal is part of an \$8-a-share or \$402m rights issue, with

the outside shareholders who own 18 per cent of MGM/UA putting up some \$72m.

But with a deftness that drew admiring comments from the movie industry yesterday, Mr Kerkorian will retain his majority control of both studios as they are enterprises transformed into almost debt-free enterprises.

Mr Jeffrey Logsdon, an analyst at the Los Angeles brokerage of Crowell Weedon, said: "He's done it again. Though why MGM's shareholders need to buy something they own already beats me."

The deal was announced yesterday amid reports that Mr Kerkorian had failed to find a buyer for MGM/UA, which reduced its losses sharply in the quarter to May but faces huge costs in

rebuilding its business after several poor years.

Mr Kerkorian was seeking over \$1bn for the combined studios.

Under yesterday's deal, Mr Kerkorian will retain for the moment retain 57 per cent of MGM, which will comprise the famous roaring lion trademark and the television production business in the process of being revived by such successors as *Thirtysomething* and *Moonstruck*.

But it lost rights to the thousands of films from MGM's great era when Mr Kerkorian sold the film library to Mr Ted Turner for over \$1bn in 1985.

The company will be run by Mr Guber and Mr Peters, whose film credits include *The Color Purple* and *The Winches of Eastwick*.

## Sea Containers sees improved earnings

BY OUR FINANCIAL STAFF

SEA CONTAINERS, the Bermuda-based marine container lessor and ferry operator, expects per share earnings for the year to exceed \$5.67 compared with \$2.16 last year, when it earned \$2.2m on sales of \$745.4m, Mr James Sherwood, the company's president, told the annual meeting.

This year's profit will include about \$20m, or about \$1.80 a share, of net income from the sale and lease-back of the com-

pany's new office building in London, he said.

Mr Sherwood said that, based on advance bookings, the Sealink British Ferries ferry services between the British Isles and Europe are expected to operate at near capacity in the peak third quarter.

He also said the company expects to be able to increase container lease rates by about 5 per cent a year, which will pro-

duce about \$10m of additional net income.

Sea Containers is adding container manufacturing capacity in Singapore and Brazil, Mr Sherwood said, and expects plants under construction there to begin operating next year. The company's strategy is to move container production from northern Asia to southern Asia and from Europe to South America in order to reduce production costs.

## Hopes rise for world computer standard

THE PROSPECT of global computer computing standards has strengthened with the news that Fujitsu, the largest Japanese computer hardware manufacturer, has become a member of X/Open, a consortium of computer manufacturers promoting the idea that software from any source should be able to run on any computer.

Fujitsu is the first Japanese manufacturer to join X/Open, although Asic, a leading Japanese software house, has been a member of its software advisory council since early this year.

X/Open has nine of the world's largest computer manufacturers among its members, including Groupe Bull, Digital Equipment,

Hewlett-Packard and Unisys. IBM's application to join the group, although thought to be a foregone conclusion, is still under consideration.

With Fujitsu's assistance, X/Open will establish a Tokyo office later this year.

Apollo seeks option of Sun, Page 25

## Japanese and UK consumer electronics retailers in talks

BY MAGGIE URRY IN LONDON

DIXONS, the UK's leading electrical retailer, and Best Denki, the largest mass retailer of consumer electronics in Japan, are in talks which could lead to co-operation, the exchange of personnel and possibly cross-shareholdings.

Dixons said yesterday: "Discussions are at an early stage. The only thing agreed is that we will both look to see if there are areas of co-operation. We are two companies in the same business which are essentially non-competitive."

The news comes ahead of Dixons' results for the year to end April, due to be reported tomorrow. Analysts expect little or no advance on the previous year's pre-tax figure of £102.6m (£176m) despite the acquisitions of Sito and Tipton, two US power retailers.

Dixons' shares have been poor performers in the stock market in recent months, although there have been rumours of a bid for the company. Yesterday, the shares were up 4p at 181p, still well below the 359p high reached

before last October's stock market crash.

Sales growth in electrical retailing in the UK has slowed sharply, particularly since the crash, with many retailers cutting prices to clear high stock levels.

Both are privately held. Dixons has been looking for growth opportunities in Europe consistent with its worldwide strategy to provide asset management and consulting services.

Mr James Baley, chief financial officer, said that there was an opportunity in consumer leasing for a new entrant with a strong capital base. The company already has a stake in US computer leasing via its Megatron subsidiary, acquired in 1985.

USF&G's presence in financial services consists mainly of small companies involved broadly in asset management for institutional clients, developed as part of a diversification from its core property and casualty operations.

It expects financial services to account for 50 per cent of total revenues by 1990.

The company recently acquired New Jersey-based Kepner-Tregoe, a strategic planning and consulting company.

In May, the company paid \$102m for Citicorp's domestic institutional investment management business, which manages some \$17.5bn of assets.

There had been no synergy between the unit and Citicorp's retail-oriented basic business but under USF&G the unit could exploit areas such as mutual fund products from which it had previously been prohibited.

USF&G has been linked with Formula One sponsorship since the Megatron acquisition, and last year secured the lead sponsorship for the Milton Keynes-based Arrows racing team.

The company had had very little, if any, name recognition internationally before the take-over, which coincided with its decision to diversify into international financial services.

## USF&G set to expand European operations

By Andrew Baxter

in London

USF&G, one of the largest US property and casualty insurers, is on the point of announcing two acquisitions in the European computer leasing industry.

Both are privately held. USF&G has been looking for growth opportunities in Europe consistent with its worldwide strategy to provide asset management and consulting services.

Mr Anthony Frank, the Postmaster-General, admitted the service would probably have to revise the deal substantially to win congressional approval. Opening it to competitive bidding is one possibility, observers believe.

Competitors protested that the Post Office awarded Mr Perot's new company, Perot Systems, the \$500,000 three-month study without opening the contract to other bids. The leading protester was EDS.

## US Postal Service halts controversial Ross Perot contract

BY RODERICK ORAM IN NEW YORK

THE CONTROVERSIAL contract won by Mr Ross Perot, the Texan corporate maverick, to find huge cost savings in the US Postal Service has been suspended following strong criticism by Congress and the Postmaster-General.

The Postal Service, under orders from the Government's board of contract appeals, stopped work under the contract late last week.

Mr Anthony Frank, the Postmaster-General, admitted the service would probably have to revise the deal substantially to win congressional approval. Opening it to competitive bidding is one possibility, observers believe.

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## Abbott pushes earnings 19% higher to \$185.2m

BY ANATOLE KALETSKY IN NEW YORK

ABBOTT LABORATORIES, the Chicago-based pharmaceuticals and health care company, maintained its record of substantial growth in the second quarter with 19 per cent advance in earnings and 16 per cent growth in sales.

Abbott earned \$185.2m or 82 cents a share after tax in the latest quarter compared with \$155.1m or 68 cents a year ago.

Yesterday Peaches shares rose sharply, up 4p on the day at 625p. At this level, the company is capitalised at just over £2370m (£455m).

Abbott's earnings per share were up 20.6 per cent higher than a year earlier because of a slight reduction in the number of shares outstanding. In the first six months of 1987, Abbott earned \$357.4m or 93.52, 21 per cent up on the year before.

The company's quarterly sales increased to \$1.06bn from \$1.23bn

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New Issue / July, 1988

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£103,850,000

## Bond Finance (Exchangeables) Limited

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**SOLVAY**  
125 YEARS OF SOLVAY:  
HISTORICAL RECORD OF RESULT

### LETTER FROM THE CHAIRMAN

125 years

1988 marks a twofold anniversary: the 125th birthday of Solvay & Cie and the 150th anniversary of Ernest Solvay's birth.

It was on December 26, 1833 that Solvay & Cie, a "commandite par actions" was founded by Ernest and Alfred Solvay together with a group of family friends. Throughout the generations the pattern of shareholding has remained exceptionally stable.

The face of Solvay & Cie has changed considerably over its 125 years of existence and more particularly during the last 25 years: the single-product Belgian company of 1863 has become today a worldwide enterprise diversified in five sectors of the chemical industry.

### The last 25 years

Indeed, in the early sixties the company was still predominantly involved in its initial business or those developed in the first half of the 20th century: the company was established mainly with a diversification in Brazil.

A twofold expansion, both geographical and in terms of activity, has taken place during the last 25 years. First, in addition to its growth in sales of its basic products, polyethylene and then of polypropylene. The creation of the Interox Group with Laporte Industries (Holdings) PLC enabled Solvay to increase the importance of its Polyoxymers sector. The Processing business had considerable growth in sales over 25 years through diversification in several key sectors. The coming of age of specialty polymers is also worth mentioning, as is the growth of the Health sector through a program of acquisitions.

Geographically, the major diversification was the Group's re-entry into the United States in 1974, followed by a significant growth, at an accelerated pace, both internally and through acquisitions. Furthermore, significant efforts have been made since 1985 to penetrate Asian markets.

This same 25-year period witnessed two major events. In 1967 the privately held "Société en commandite" was changed into a public "Société Anonyme" in order to make the capital market accessible to Solvay.

On the other hand in 1983, the creation of the Société Anonyme Solvay by conversion of Solvay C shares and subsequent capital increases solidified the structure of Solvay's capital.

Over these 25 years, the world has changed and so has Solvay preparing for the future.

### 1987

In 1987, the Group's activities grew in the context of a good economic climate. Sales revenues were up 3.4% and sales volumes up even more. Consolidated net earnings surged over 1986 and for the 125th anniversary they reach the historical record of BF 12.17 billion (\$ 356 million). The 22.5% advance is due more particularly to the outstanding performances of the Plastics sector and to the high earnings of the United States activities.

By large, all five sectors of the Group performed well. Sales in the Alkaloids sector were higher than the year before. The Interox Group continued to expand. In Plastics, sales and earnings grew particularly well in a market characterized by strong demand.

For the first time, a slight decrease in sales and an increase in earnings. A satisfactory development was also noted in Human and Animal Health.

### Important means for the future of the Group

The Board of Directors approved a plan of investment programs totaling 21.9 billion Belgian francs for 1988, compared to 18.6 billion BF capital expenditure in 1987. In addition, a research and development program of more than 10 billion BF was adopted for 1988, compared to an expenditure of the order of 9.2 billion BF in 1987. These capital and research programs

### KEY FIGURES OF THE SOLVAY GROUP

	1986	1987	1987	1987
in millions	BF	BF	ECU	\$
Sales	216,313	223,802	5,180	6,552
Research expenditure	8,604	9,225	214	270
Capital expenditure	23,100 (*)	18,600	431	545
Shareholders' equity	66,119	67,933	1,574	1,990
Net earnings	9,931	12,165	322	356

(\*) including BF 4,800 million for the acquisition of Renn-Rowell

	BF</
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This announcement appears as a matter of record only.

## THE BERKELEY LEISURE GROUP LIMITED

### ACQUISITION OF GODFREY DAVIS PARK HOMES LIMITED FOR £27.8 MILLION

from

GODFREY DAVIS (HOLDINGS) PLC

Samuel Montagu acted as adviser to  
The Berkeley Leisure Group LimitedSamuel Montagu & Co. Limited  
10 Lower Thames Street  
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01-260 9000

July 1988

**£200,000,000**

**Nationwide**  
**Anglia** Building Society

Floating Rate Notes Due 1995

Interest Rate	10%16% per annum
Interest Period	8th July 1988 10th October 1988
Interest Amount per £5,000 Note due 10th October 1988	£132.43
Credit Suisse First Boston Limited Agent Bank	

**BRITANNIA**  
**BUILDING SOCIETY**

**£100,000,000**

Floating Rate Notes Due 1993

Compounding £75,000,000 Floating Rate Notes due 1993 on 8th July, 1993, 10th October, 1993 and a further £25,000,000 Floating Rate Notes due 1993 issued on 8th July, 1993 (consolidated and forming a single series thereof).

In accordance with the terms and conditions of the notes, the notes will be payable, giving effect that for the three month interest period from (and including) 8th July, 1988 to (but excluding) 10th October, 1988, the notes will carry a rate of interest of 10% per cent. per annum. The notes will be payable on 10th October, 1993. The amount per £5,000 will be £265.46, payable against surrender of Coupon No 11. Hamleys Bank Limited Agent Bank

All these securities having been sold, this advertisement appears as a matter of record only.

**\$250,000,000**

## Joseph E. Seagram & Sons, Inc.

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## The Seagram Company Ltd.

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London

## INTERNATIONAL COMPANIES AND FINANCE

### Monroe in suspension system link with Bosch

By Kevin Done, Motor Industry Correspondent

ROBERT BOSCH, the West German automotive components and electronics group, is joining forces with Monroe Auto Equipment, part of Tennelec of the US, to develop advanced electronic car suspension systems.

The world automotive industry is devoting increasing efforts to the development of so-called "active" suspension systems, expected to be a main growth area in automotive electronics in the 1990s.

Bosch is one of the dominant producers of automotive electronics and has been a pioneer of anti-lock braking systems (ABS) and fuel injection, while Monroe is the world's leading producer of shock absorbers.

Monroe said the two companies had reached agreement to co-develop and sell systems and components for suspension control.

Bosch will develop and produce the electronic control units, actuators and sensors, while Monroe will develop and produce the electrically controlled shock absorbers.

The technical agreement between the two companies marks a growing trend in the automotive components industry towards joint ventures and the development of complete sub-systems for the automobile, rather than individual components.

Components producers are having to pool resources and establish a global presence, both to keep pace with the rapid worldwide integration of the vehicle makers and to share the growing development costs for new components and sub-systems.

Monroe said that the two companies hoped to be able to offer the new active suspension system in the 1992 model year.

Motor vehicle suspension systems have hitherto contained almost exclusively mechanical, pneumatic and hydraulic components. But car makers expect the rapid introduction of electronic systems during the 1990s, aimed both at increasing safety and ride comfort by enabling the car to adapt rapidly to changing road surfaces and driving conditions.

Monroe estimates that by 1995 between 30 and 50 per cent of new cars will have some form of electronic suspension system.

Several systems under development employ a central microprocessor to receive signals from multiple sensors at the wheels and elsewhere.

The Monroe/Bosch system aims to integrate the three functions of sensing, processing and control of the damper settings, within each individual shock absorber.

Louise Kehoe on a fight to control the computer workstation market

### Apollo aims for eclipse of Sun

APOLLO'S FIVE YEAR RECORD				
Year	Sales (£m)	Pre-tax Income (£m)	Net Income (£m)	Employees
1983	90.7	17.2	13.1	1167
1984	216.9	40.8	22.0	3021
1985	288.8	(13.8)	(1.5)	3275
1986	397.7	16.3	9.2	3577
1987	363.7	34.4	21.7	4000

Losses in 1985

BLOODYED but not bowed, Apollo Computer of the US stood up to fight another round in the fiercely competitive computer workstation market battle yesterday.

With the launch of two new product lines, Apollo aims to regain some of the ground it has lost to archival Sun Microsystems over the past six months.

Apollo's new products represent an aggressive challenge to Sun and other competitors. However, they may do little to renew the confidence of investors, who last week saw Apollo's stock price plummet by almost 30 per cent when the company announced it expected a second-quarter loss of between \$3m and \$5m.

Apollo is locked in a feud with Sun, currently the clear leader in the Sun workstation market. In contrast to Apollo's projected loss, Sun is expected to announce record sales and strong earnings for the second quarter and to achieve its goal of \$1bn in sales for fiscal 1988.

For Mr Tim Vanderlize, chairman of Apollo, news of Sun's success will rub salt in the wound of his company's losses. There is no love lost and little respect given between Apollo and Sun.

Besides their constant struggle for market share, Apollo and Sun stand on opposite sides of an industry-wide battle for control of computer standards.

Apollo was an instigator of the recently announced Open Software Foundation, joined by Digital Equipment, IBM, Hewlett-Packard, Siemens, Nixdorf and Bull. This was a move to challenge a joint effort by AT&amp;T and Sun.

Bull was a move to challenge a joint effort by AT&amp;T and Sun.

In style they are as far apart as their headquarters. Apollo, which is based in Massachusetts, is an aggressive yet conventional East Coast company. Sun, in contrast, deliberately adopts a "California casual" approach to business but loses no opportunity to beat its competitor.

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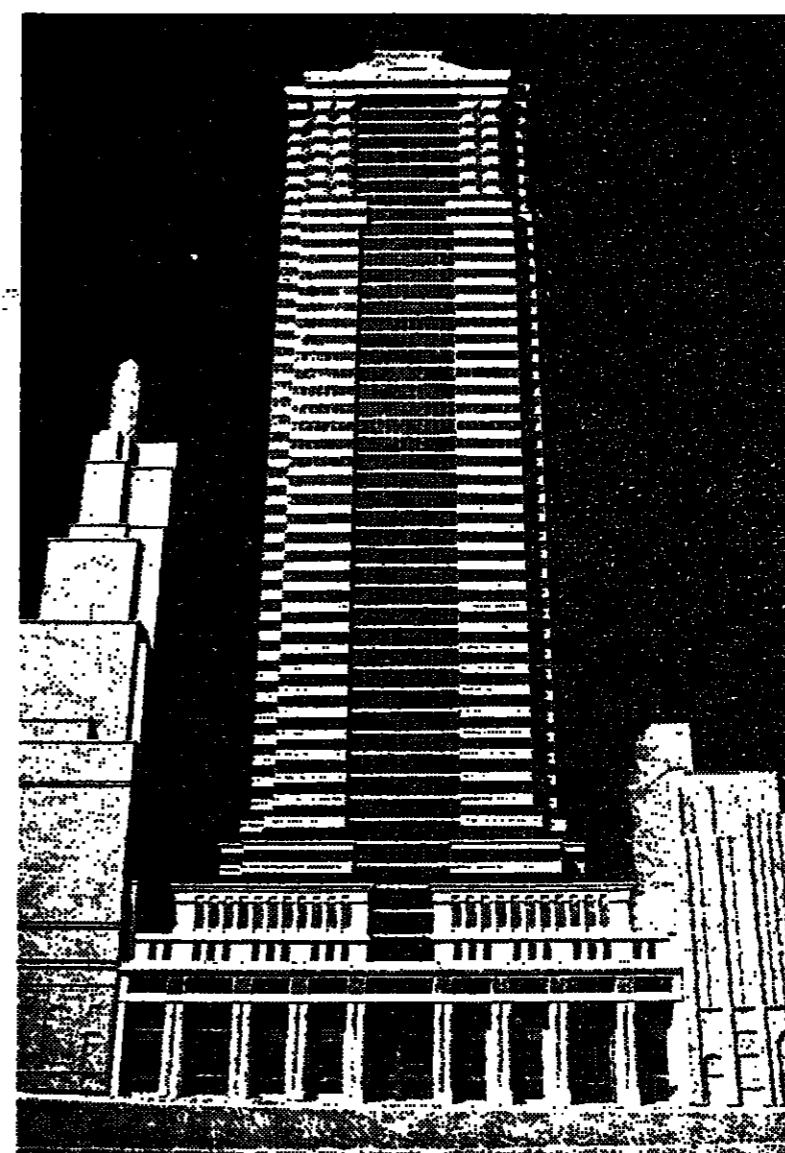
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## UK COMPANY NEWS

## Disposals pay dividends as slimmer Asda hits £215m

By MAGGIE URRY

Asda Group, the food retailer which has returned to its core business following the sale of the MFI furniture chain and the food manufacturing interests, showed a 12.1 per cent rise in pre-tax profits to £215.3m for the year to April 30.

However, profits from the continuing businesses, Asda itself, the Allied Carpets chain and property development, rose 27.2 per cent to £163.6m. Sales for these businesses were up 14.9 per cent to £3.45bn, indicating a rise in profit margins from 6.2 per cent to 6.8 per cent.

Mr John Hardman, chairman, said: "This is the best growth performance of our Asda stores business for many years." The Asda stores increased operating profits by 24.2 per cent to £132.7m, on a 12.8 per cent sales increase.

Of the sales gain, 9.3 per cent was generated by new stores and the remaining 3.5 per cent from comparable stores, breaking down between inflation of 1.5 per cent and volume growth of 2 per cent.

Margins had improved because of a higher proportion of own label goods - now accounting for about 35 per cent of sales and likely to rise to 40 per cent; increased sales of fresh foods which have a higher margin, and higher sales of clothing and footwear.

During the year, nine stores had opened to take the total to 120. The pace of openings will now increase with 14 in the current year and 15 in the year after.



John Hardman - best growth performance for many years.

Asda is also spending heavily on a central distribution system which should bring cost savings and greater sales.

During the year under review, capital spending totalled £200m and that will increase to £400m in the current year. The fruits of this spending will largely come through in 1990-91, Mr Hardman said. At the year end Asda had net cash of £190m. The disposals had raised £500m.

In the longer-term, he predicted, the group will be looking for acquisitions as the heavy investment programme in the Asda business tails off.

Allied Carpets, which produced a 9.4 per cent rise in operating

profit £10.5m, had had a period of uncertainty when it was up for sale. It was now expanding once more, with 19 stores being added to the 90 existing ones.

The absence in the second half of profits from Associated Fresh Foods, and of MFI from its sale on November 16, had not been entirely made up by the increase in interest receivable from £85m to £122.5m. Asda's 25 per cent stake in MFI had contributed, profit of £5.5m.

Earnings per share on a fully diluted basis rose 7.9 per cent to 12.1p and a proposed final dividend of 2.5p makes a total of 4.1p for the year, an increase of 17.1 per cent.

See Lex

## Berkeley Govett up at midway

By NIKKI TAIT

Berkeley Govett, the fund management group which takes in the John Govett stable in the UK, yesterday announced interim figures for the six months to end-June showing a pre-tax profit of £17.8m (£10.5m) against £13.3m last time.

At the operating level profit goes up from £9.8m to £11.6m, with the pre-tax figures including a net profit on the realisation of investments of £3.14m (£3.97m). Earnings per share in the first half were 18c (14.2c).

The company says that its emphasis on development capital and high yield/unlisted investment areas gave it protection against stock market fluctuations.

John Govett itself saw profits roughly halved in the first half, but is still estimated to have chipped in some £2m towards the operating total. The parent company says that its pension business continued to grow strongly.

During the first half, Berkeley Govett had the benefit of two new sources of fee income - the upshot of its acrimonious dispute with Touche Rennert over the fate of the TR Technology investment trust. The company now

gets a full annual management fee on Berkeley Development Capital, an £80m fund, and is handling the new £180m Govett American Endeavour fund, a

direct spin-off from the TRT franchise.

Berkeley adds that it has a further £5m of unrealised profits on its own investments in development capital situations. These, the company says, are being held "for a rainy day".

It is currently planning to add new development capital funds for investment in the US, and is considering a UK-based high income/small company fund.

Berkeley Govett also announced yesterday that it is appointing a new chief executive officer at John Govett, Mr Kevin Pakenham, who was previously managing director of Foreign and Colonial Asset Management.

## ANZ Securities (Agency Broking) Limited

ANZ Securities (Agency Broking) Limited has been formed to take over the activities formerly carried out by the Gilt-Edged Department of Capel-Cure Myers with effect from 4th July, 1988.

The new company is ultimately wholly owned by Australia and New Zealand Banking Group Limited.

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For more information, contact David Skinner,

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## Ward White in tentative approach to Payless

By CLAY HARRIS

Ward White, the DIY and hardware retailer, has made a tentative approach to Payless Cashways after receiving a letter from the US DIY company's non-executive director, Mr Phillip Birch, Ward White chairman, said yesterday.

Although Ward White was unlikely to mount a full bid to contest the \$90m (£534m) management-led buy-out which Payless's board has accepted, Mr Birch did not firmly exclude that possibility or participating in a rival break-up offer.

In the US, Ward White already has an auto parts retailer, White's, as well as a small home improvement business and a distributor of safety shoes.

"We looked at Payless when it first came on the block," Mr Birch said. "We thought it was too big, and we still do." He described the agreed \$7 per share offer as a "hill" price. Payless shares were 54p lower at \$37.4 in early trading yesterday.

The UK company's shares, meanwhile, lost 50p to 288p on fears of the funding required if Ward White mounted another large acquisition so soon after completing its \$11m takeover of A.G. Stanley, the DIY chain with stores including FADS and Deco's.

Ward White's approach to the US company, which involved signing a confidentiality agreement in return for additional information, was disclosed by Payless in a filing with the Securities and Exchange Commission.

Mr Birch said Payless's non-executive director had initiated the contact about eight days ago, apparently in an effort to ensure that shareholders were receiving the highest possible price.

A group led by Mr Asher Edelman, a New York investor, and owning 8.1 per cent of Payless has also requested confidential information as a possible prelude to a rival bid.

Mr Birch said Payless's

management team had initiated the contact about eight days ago, apparently in an effort to ensure that shareholders were receiving the highest possible price.

In the period covered by the inquiry, a 7.25 per cent stake had been sold to a British Land subsidiary, which was sold to the Australian Bell Group, before eventually being bought by Payless's own stockholders and placed.

Those, undoubtedly, are the more sensational aspects to Payless. On the property front, Mr Brown's well-respected management is seen as giving the company a well-run, if undramatic, image.

In recent years, there has been a shift out of residential and into commercial property. By the last year end, a little more than half

of the portfolio was in retail property, 37 per cent in office, and 9 per cent in industrial.

London properties, including

the Carnaby Estate and the street

of the same name, accounted for 21 per cent of the total, with a further 24 per cent in the rest of

the South-East.

## Wereldhave acquires 10.4% of Peachey

Wereldhave, second largest Dutch property company, has acquired a 10.4 per cent stake in Peachey Property Corporation, and has approached the UK company with a view to making a recommended cash offer, writes NIKKI TAIT.

Peachey's reaction yesterday was guarded but not immediately hostile. "We are seeking the best deal for shareholders," said Mr John Brown, managing director. Wereldhave has notified Peachey of the

strike lists on Friday and the two companies met briefly on Sunday. Discussions are continuing.

The UK company has just passed its June 30 year-end, and would not normally publish an up-to-date valuation of net assets until the end of September. However, property analysts were yesterday suggesting that the figure could have risen to levels of 600p to 620p.

Yesterday Peachey shares

rose sharply, up 84p on the day to 625p. At this level, the company is capitalised at a little more than £270m. Wereldhave already has extensive property investments outside the Netherlands. At the end of 1987, its portfolio was valued at about £450m.

Wereldhave said it had been looking very seriously at a possible UK acquisition for about nine months and was attracted by the shape of the Peachey portfolio, in particular

the strong retail element, which takes in The Carnaby Estate in London, and the London bus. Wereldhave acquired a small stake in Peachey about two months ago, but this was subsequently sold.

In the year to June 1987, Peachey made pre-tax profits of £11.65m and then reported a share increase at 27.57p in first half of 1987-8.

The UK company is advised by S.G. Warburg, Wereldhave by Morgan Grenfell.

Laura Raum and Nikki Tait consider Wereldhave's move on Peachey.

## Avoiding prolonged uncertainty

"We're grown-up people," says Mr John Brown, managing director of Peachey Property Corporation, and yesterday his view of corporate raiders appears to extend to giving Wereldhave's shareholders a decent and responsible hearing.

Whether those overtures are greeted with much glee is another matter. At least one property analyst was prepared to swear that they will have been very unwelcome in the Peachey camp.

Whatever the truth in that, there is clearly a strong sense of realism at the UK company's headquarters.

Given other transactions in the property sector recently and the general view of the commercial property market, all the suggestions are that Peachey would be looking for a premium over net assets. But if the Dutch company's name is not a safe bet, property will pay a sufficient premium, there seems little indication that Peachey plans to mount a last-ditch defence.

Yesterday both sides appeared fairly anxious to avoid prolonged uncertainty. S.G. Warburg, Peachey's advisers, suggested that some sort of progress could become evident in days not weeks, a view broadly echoed by Wereldhave.

Peachey, now a medium-sized property company, has come a long way from the scandals which beset it ten years ago. It was Sir Eric Miller, former chairman and chief executive and knighted in Harold Wilson's resignation honours list, committed suicide. A subsequent Department of Trade inquiry concluded that Sir Eric had spent the company's money as his own, and found him guilty of "numerous misappropriations of company funds."

That is all long past, although the company swept back into the headlines earlier this year when the Department of Trade

announced an inquiry into trading of Peachey shares in May 1987, a period when the share price rose 12 per cent. According to the official statement, the inquiry was to include "any transactions with which Mr John Rutlat, chairman of British Land, may have been connected," although he immediately denied any involvement in insider dealing.

In the period covered by the inquiry, a 7.25 per cent stake had been sold to a British Land subsidiary, which was sold to the Australian Bell Group, before eventually being bought by Peachey's own stockholders and placed.

Those, undoubtedly, are the more sensational aspects to Peachey. On the property front, Mr Brown's well-respected management is seen as giving the company a well-run, if undramatic, image.

In recent years, there has been a shift out of residential and into commercial property. By the last year end, a little more than half of the portfolio was in retail property, 37 per cent in office, and 9 per cent in industrial.

London properties, including

the Carnaby Estate and the street of the same name, accounted for 21 per cent of the total, with a further 24 per cent in the rest of the South-East.

the group has tax losses and tax holidays, but US component companies are among its major customers.

Hill Samuel, BSR's adviser, confirmed that discussions were being held as quickly as possible to move the situation. The statement had been made to keep the market informed following the recent movement in the share price.

The City expects any deal to be made at about 120p a share. This would allow three directors profitably to exercise options on 18m shares - nearly 10 per cent of the enlarged share capital - at 105p a share.

BSR, once best known for its

record immobiles, has been gradually moving out of the consumer electricals market to concentrate on power conversion equipment and communications, including cellular telephones.

The group hoped to sell its dixie video and hi-fi subsidiary within five weeks of the preliminary full-year results on March 7, although this has yet to take place. A 50p or 52.5p November Notation for Swiss Houseware, which makes domestic electrical products, is also planned.

The company made £1.6m before tax in 1987, an increase of 38 per cent on the previous year.

However, analysts marked down their profit forecasts for 1988 when the annual report revealed an exceptional credit of £3.6m, unmentioned in the preliminary accounts. Operating profits before exceptional items decreased from £13.5m to £13.4m in 1987.

In the past two years, BSR has pulled sharply out of the US and significantly increased its holdings in the Netherlands. About 46 per cent of all properties are now in its home country.

Over the past three years, the company has rebounded vigorously from a slump in 1984 and 1985, when property markets and the falling dollar hit earnings. Total earnings rose 11 per cent to £17.2m last year from £16.4m in 1986.

CLIFFORDS DAIRIES has purchased Denby's Foods for an initial £27.6m in non-voting shares, loan notes and cash. A further payment will fall due in 1991 dependent on profits. Total consideration will not exceed £12m. Denby's, based in Macclesfield, North Yorkshire, supplies frozen ready meals.

FINANCIAL HIGHLIGHTS		
1988	1987*	
Turnover	+ 35% £73.2m £54.1m	
Profit before taxation	+ 104% £4.5m £2.2m	
Earnings per share	+ 68% 23.8p 14.2p	
Dividends per share	+ 49% 6.5p 4.36p	

\* Restated for the merger with the Allison Homes Group

## EXTRACT FROM CHAIRMAN'S STATEMENT

"The exceptionally good performance of all divisions since the beginning of the current trading year and our very strong forward sales position would indicate that 1988/89 will be another successful year for the Group."

S. P. HAYKIN Chairman and Chief Executive

## WIGGINS GROUP ANNOUNCE DOUBLED PROFITS

Copies of the 1988 Annual Report are available from the Secretary, Ensign House, Admirals Way, South Quay, London E14 9RN.

The contents of this statement, for which the Directors of Wiggins Group plc, we solely responsible, have been approved for the purposes of Section 37 of the Financial Services Act 1986 by an authorised person. Past performance is not necessarily an indicator of future performance.

1988/89  
1987/88  
1986/87

## UK COMPANY NEWS

## Wolstenholme Rink shuns Cookson offer

BY CLARE PEARSON

Cookson Group, specialist metals and chemicals manufacturer, yesterday made a £27.8m contested bid for Wolstenholme Rink, Lancashire-based lithographic materials and metal powders group.

Wolstenholme described Cookson's offer as "most unwelcome" and urged shareholders to take no action.

The announcement drove Wolstenholme's thinly traded shares 15p higher to 500p, well above Cookson's offer.

On the basis of Cookson's closing price of 265p, up 4p on the day, the five-for-three share offer values Wolstenholme shares at 440p each. There is a cash alternative of 410p.

## Carclo advances to £8.1m

BY DAVID COHEN

Carclo Engineering, diversified Yorkshire-based textile equipment to car components group, boosted pre-tax profits by 50 per cent to £2.1m for the year to March 31, 1988 on turnover up 50 per cent to £10.3m.

The results were in line with analysts' expectations. The only surprise was a reduced tax charge - down from 35 to 30 per cent - because of tax losses at engineering subsidiary Jonas Woodhead.

The upshot was higher than expected earnings per share of 13.5p (11.8p). The shares rose 2p to 170p.

The figures include the first full contributions from Jonas Woodhead and another 1988 acquisition, Bruntons. The former contributed £2.2m to group trading profits of £9.5m compared with a four-month contribution of £5.7m in the previous year. But Bruntons, part of the wire division, was hamstrung by a delayed re-equipping operation and failed to meet budgets for production and profitability.

Mr John Ewart, chairman, said orders for the first quarter of the current year were higher than in the same period of 1987-88. The company continued to be on the look-out for suitable acquisitions.

## COMPANY NEWS IN BRIEF

**ANGLIA SECURE** Homes has sold Trowbridge Estate Agents, of Printon-on-the-Soo, as part of rationalising activities into those forming its core business.

**POLLY PECK** International is expanding its Spanish interests through the acquisition of Frio Mediterraneo, cold storage and fruit and vegetable group, for an estimated £2.5m.

**SAVE & PROSPER** Return of Assets Investment Trust reported earnings per 50p share for the year to May 30, of 4.92p, basic (2.75p), 3.79p fully diluted (3.29p). As already announced the company interim dividend is 2.05p for a total of 3.97p (3.6p).

**SINGLAIR GOLDSMITH** has paid some £30m for Horseridge House, London, SW1. Property company set to the Secretary of State for the Environment at £1.4m per annum. A rent review is due in July 1990.

**TAVEREX GROUP** has disposed of an 80.1 per cent stake in Sitwell Products, the sub-holding company of its advertising division, to management for a nominal sum. Taferex will be issued with £850,000 6.5 per cent non-cumulative redeemable preference shares 2018 in Sitwell - part of

can see no benefits other than cost-cutting by putting them together."

Yesterday's bid followed discussions between the two companies last Friday, initiated by Cookson. There were no plans for the two parties to meet again yesterday.

This is the first time that Cookson has launched a contested bid, although the acquisition would otherwise fit in with its history of making small "bolt-on" acquisitions.

Cookson last week surprised the market by taking a 6.3 per cent stake in Johnson Matthey, precious metals and materials technology group.

Wolstenholme's main attraction to Cookson is believed to be its business in supplying a range of products to offset litho printers. Cookson said this would fit well with its own interests in this area, which trade under the Horst Graphics name. "The combined companies' lithographic materials business would be able to reap major economies of scale," it said.

Cookson also said Wolstenholme's metal powder business could be integrated with its own metals and chemicals division. However, Mr Rink said he could see no similarities between Wolstenholme's technology in this area and Cookson's businesses.

If Cookson's share offer were fully accepted, it would involve the issue of 10.5m new shares, representing 2.8 per cent of the enlarged share capital.

Wolstenholme is advised by Schroders. Cookson is advised by Phillips & Drew Securities, Lazarus Brothers, as financial adviser to both companies decided not to act on behalf of either.

## DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Asahi Group	fin 2.5	Oct 3	2.18	4.1	3.5
Autivex	fin 1.9	-	1.8	2.4	2.1
Bailey Govett	fin 1.7	-	1.6	2.1	1.8
Bristol Stadiums	fin 1.55	-	1.4	1.55	1.4
Carclo Eng.	fin 3.6	Sept 2	2.87	4.7	3.75
Crescendo Labs S	fin 4	Sept 2	2.5	5.4	3.7
Ellis & Everard	fin 3.71	-	3	5.5	4.67
Evoit	fin 1.42	Sept 22	1.2	-	4.44
Harland Simon	fin 1.8	Sept 15	-	2.4	-
Joseph Leopold	fin 11.57	-	10.52	14.38	13.33
Kings Kneaders S	fin 1.53	Sept 2	-	2	-
Stock Socks S	fin 1.25	Aug 23	-	0.8	-
Stockdale	fin 9	-	9	12	12
Stoddard Sekers	fin 1.75	October	1.3	2.35	1.3

Dividends shown in pence per share not net except where otherwise stated. \*Equivalent after allowing for scrip issue. \*\*US capital increased by rights and/or acquisition issues. \$US stock. \$US quoted stock. £1m market. \*US cents, gross.

## Beecham \$91.5m sale completes withdrawal from US cosmetics

BY RAY BASHFORD

Beecham, the pharmaceuticals and healthcare group, has completed its withdrawal from the US cosmetics industry through the sale of Beecham Cosmetics for \$91.5m (£54.1m).

A management team headed by two executives will purchase the company following discussions with several companies which expressed interest in a possible acquisition.

Beecham Cosmetics, which last year returned a pre-tax profit of \$7m on a turnover of \$115m, was by far the group's largest US cosmetics subsidiary and its sale is part of a strategy to concentrate on core activities and expansion through organic growth.

In March last year Beecham sold its two other relatively small US cosmetics subsidiaries, Germaine Monteil and Diane Von Furstenberg.

Beecham will concentrate US activities on pharmaceuticals, over-the-counter medicines and toiletry businesses which according to the company have "excellent" prospects for growth.

The latest disposal includes the

sale of the businesses in the US using the Jovan and Vitabath brands and a production site at Bensenville near Chicago.

Beecham group will continue to market under these brand names in other countries and Beecham Cosmetics will manufacture certain skin care products sold by other group subsidiaries in the US.

Of the \$91.5m consideration for the sale, \$84.2m will be in cash and the remainder will be an interest bearing note due 1998.

## Allied Restaurants expansion

BY VANESSA HOULDER

PROMPTED, in part, by a huge resurgence in ten-pin bowling, one at the Streatham Bowl leisure complex in south London and one at Tower Park, a leisure centre being built on a 25-acre site between Poole and Bournemouth, in which Allied is investing a total of £3.5m.

Tower Park, Allied has also planned a drive-through Wimpy, a night club and a brasserie, which will stand alongside the complex's Tesco supermarket, tennis court and ice-skating experience centre (in which skaters are bombarded with special effects such as lightning flashes and snow storms).

Allied's expansion plan, announced yesterday, included

buying Zig Zag, a Bournemouth nightclub for £250,000 in cash.

The management skills needed to run a fast food business, in which the margins were very low, could be profitably applied to the new businesses, said Mr Carr.

These acquisitions, which establish two divisions - those of ten-pin bowling and bars and nightclubs - in addition to the core Wimpy restaurant business, follow the acquisition of the Mariner, a leisure complex in Poole.

The placing and open offer, on a one-for-three basis, which will raise £2.2m net of expenses will be made at 71p per share. Allied also announced that it was

## BRITISH STEEL RESULTS.

## Another year of increased profits.

YEAR ENDED	APRIL 1988	29 MARCH 1987	% INCREASE
TURNOVER	£410m	£345m	19
PROFIT FOR THE YEAR	£410m	£178m	130
DELIVERIES	12.1m tonnes	10.3m tonnes	18

The past year has been a momentous one for the British Steel Corporation. The very encouraging improvement which was reported last year has been maintained and profits have substantially increased.

The present profit position of British Steel is the reward for the radical measures taken over past years to rationalise and restructure the operations of the business, allied with benefits increasingly coming through from well directed investment in plant and equipment, which have together given us a more competitive cost base. We have been able to take advantage of the buoyancy of demand during the past year for many of our key products, particularly in the United Kingdom market, where the success of the Government's economic and

financial policies has been reflected in recent growth in the United Kingdom economy, approximately above the European Community average. Our production has therefore been higher than for several years, backed by consistently good levels of plant performance.

That British Steel has achieved the business success it has is due to the efforts of all who are and have been involved in it. A very important contribution has been made by the extent to which we in British Steel have linked pay increases to productivity and to other improvements."

Sir Robert Scholey, Chairman, British Steel.

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## UK COMPANY NEWS

## GOOD PERFORMANCES FROM UK MERCHANTING AND CARGO FLEET DIVISIONS

## Ellis &amp; Everard advances to £8.2m

BY VANESSA HOULDER

A STRONG performance from almost all its businesses helped Ellis & Everard, chemical distribution group, produce a 24 per cent increase in pre-tax profits to £8.2m, for the year to April 30 1988.

The results were at the top end of analysts' expectations, although the share price remained unaltered at 159p.

The outcome was scored on a 12 per cent increase in turnover to £151.7m (£125.8m). After stripping out the effect of recent acquisitions, organic expansion was responsible for 6 per cent of growth. Sales in the US increased to 548m.

The effect of the weaker dollar

on translation was to depress profits by £100,000.

Mr Simon Everard, chairman, said that these "very acceptable" results had been produced by good performances from the UK merchanting and cargo fleet divisions as well as from the smaller profit centres Euro Chem, Bartlets and Beta. In the US, Prilla- man had performed strongly.

An encouraging start had been made to the current year and the directors maintained a high degree of confidence in the group's future, he added.

Earnings per share increased by 18 per cent to 14.5p (12.8p). A final dividend of 3.7p is recom-

mended, making a total of 5.6p for the year - up 19 per cent on the previous year's adjusted 4.67p.

Ellis & Everard yesterday also announced the acquisition of Alfred Cotter, a chemical distributor based in Northern Ireland, for £205,000 cash. Cotter is expected to complement the existing distribution business in the Irish Republic.

## ● comment

Notwithstanding its modest size, Ellis & Everard has attracted a large City following who have been rewarded, once again, by another strong set of

results. In the mature UK market, Ellis has boosted margins up to 4 to 7 per cent in the past two years - thanks to greater efficiency in its core commodity division and the acquisition of more specialised, higher margin businesses. Meanwhile in the US, Ellis has achieved its goal of acquiring a major presence in the south east and now is set to move into contiguous states. This programme of expansion and improvements in efficiency looks set to continue and analysts feel confident that the company can exceed 8m this year. That puts the shares on a premium multiple of 12, at which level they appear fully priced.

## Ellis backs revised offer from Berkertex

By Nikki Tait

Ellis & Everard, the women's wear group, yesterday confirmed that it has decided to recommend the revised 941m cash offer from Berkertex. The bid was raised by 46 per cent, to 140p a share, on Friday.

The Ellis decision follows lengthy discussions between the board and its advisers, Kleinfelder Benson, over the weekend. Berkertex, a privately-owned company and the product of a management buyout two years ago, has confirmed to Ellis that the financing of the offer is not dependent on the disposal of any part of Ellis's business, and that it intends to develop and expand these businesses.

Berkertex has also agreed to provide loan notes of up to £2m as an alternative to the cash consideration. These will be guaranteed and carry interest at a rate of 1 per cent below LIBOR.

Ellis shares were unchanged at 138p yesterday.

## Acquisitions help Evode rise 56% to £3.99m at midway

BY ANDREW HILL

Evode Group, speciality chemicals company best known for its adhesives, paints and sealants, increased pre-tax profits by 56 per cent to £3.99m in the 27 weeks to April 2. This compared with £2.5m in the 26 weeks ended March 28 1987.

Businesses acquired towards the September year-end, notably Sterling Technology, Commercial Ignition and Sempol Products, contributed some 23 per cent to the profit growth. The balance of the increase - about 33 per cent - came from organic growth. So.F.Ter, the Italian plastics company acquired in April for up to £1.9m (£1.75m), did not contribute to the figures.

The Group turnover rose 26 per cent to £57.5m (£45.7m) and earnings per share by 27 per cent from 4.78p to 6.07p.

Profits from industrial coatings more than doubled from £472,000 to £1.13m on sales of £9.18m (£5.55m), as did plastics, where profits increased to £679,000

policy makes forecasting full-year profits somewhat problematical. However, the net effect of acquisitions and disposals since the half-year should be positive and analysts are looking for over 25% before tax in the full year, helped by the first contribution from So.F.Ter. The whole company needs to go on growing, if only to ward off predators who may be interested in a small and successful company which claims to be market leader or runner-up in all its activities. Evode is likely to continue to expand outside the UK and the company says it will not disdain opportunities for major acquisitions in any of its four divisions, even though this would disrupt the current pleasing balance of the group. The shares rose 1p yesterday to close at 151p. Existing full-year forecasts put the shares on a prospective p/e of about 14.5, fairly valued, but worth sticking with given Evode's long-term prospects.

## ● comment

Evode's continuing expansion

## Albert Fisher US purchases

BY CLAY HARRIS

Albert Fisher Group, food distributor and processor, is to buy two more US companies for a maximum of \$26m (£15.3m).

Fisher is to pay \$1.8m in cash and shares for Grossman Paper, a New Jersey-based distributor of disposable plastic and paper products to supermarkets, department stores and the food service industry.

Grossman is Fisher's first

major acquisition in this sector since it bought Ziff, also based in the northeast US, for \$22m in December 1986. The New Jersey company reported adjusted pre-tax profits of \$2.1m on sales of \$71.2m in the 10 months to March 31.

Most of Fisher's other US purchases have been in fresh produce distribution in Florida and on the Pacific coast.

G & G showed profits of \$16.6m on turnover of \$20.7m in the 16 weeks to May 28.

## Bid approach to Ealing Electro-Optics

By Clive Harris

Ealing Electro-Optics said yesterday it was studying a take-over approach which would value the manufacturer of precision optical equipment at £21.1m.

The company's shares

rose 10p to 179p higher at 189p, still short of its unnamed suitor's suggested 180p price, itself barely one-third of EEO's peak of 237p less than a year ago.

If the offer materialises,

EEO would lose independence

after a troubled history of less than three years on the USM.

In 1987, pre-tax profits plummeted from £1.57m to

£88,000 as the cost of manufacturing 2.55p for the 12 months to March - a 73 per cent

increase on last year.

Pre-tax profits from the Stoddard side of the combined group amounted to £2.52m (£1.71m) on sales virtually unchanged at £24.5m. After tax of £400,000, earnings were at 7.5p (4.4p) and the final dividend 2.13p for a 30p total.

Mr Michael Wareham, chairman, said the results included

three months from Beaver Con-

struction Supplies, the specialist

architectural ironmonger

acquired in January, and were

achieved after absorbing consider-

able costs in moving to the new

Knobs & Knockers

## All-round improvement lifts Knobs &amp; Knockers

Knobs & Knockers traded successfully in all three activities. The high street locations increased sales by 26 per cent, while development of the franchising operation went well. The shop-in-shop activities lifted sales by 15 per cent; however, relocating, refurbishment and regeneration at Debenhams and sales performance in some stores.

On the estate agency side, Mr Wareham said Bergeps increased turnover 19 per cent and profits 22.5 per cent, and its average selling price in London was £536,000 per house. It will extend into the Hampshire area following the acquisition of Bentleys in April.

Creighton profits doubled

Creighton Laboratories, maker of Natural Beauty products, lifted turnover 64 per cent and doubled its pre-tax profit in the year ended March 31, 1988.

The results, said Mr R. Collard, chairman, confirmed his optimism of last year. Turnover moved up to £6.83m (£4.2m) and profit to £1.26m (£0.60m). With earnings at 23.8p (10.5p) the final dividend is 5.4p for a total of 5.4p.

Mr Collard said the company had continued to benefit from its heightened profile gained by its presence on the USA.

Export markets were buoyant, with continuing increases in the US, Japan, and the Pacific basin. Premises at Storrington have been expanded and reorganised to maximise efficiency, and further land has been acquired nearby to develop the fast-growing soap and powder division.

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Creighton Laboratories plc

HIGHLIGHTS OF THE YEAR

	1988 £'000	1987 £'000
Turnover	6,864	4,186
Profit before tax	1,261	580
Profit after tax	872	372
Earnings per ordinary share	23.8p	10.5p
Dividends per ordinary share	5.4p	3.7p

"A highly successful year"

Report and Accounts available from the Secretary, (after 5 August) Water Lane, Storrington, West Sussex RH20 3DP

## Hanover Druce p.l.c.

## A CONTINUING PATTERN OF SUCCESS

Excellent progress of Commercial Division	1988	1987
Financial Services developing apace		
Residential Agencies expanding as planned		
Turnover	£16,085,000	£12,860,000
Profit before Taxation	£1,610,000	£1,457,000
Dividend	4.35p	3.85p

Copies of the Annual Accounts can be obtained from The Company Secretary, 25 Manchester Square, London W1M 5AP

This advertisement has been issued by Hanover Druce plc and approved for issue by Stoy Hayward as authorised persons. It must be stressed that the value of investments can fall as well as rise and that the present is not necessarily a guide to the future.

New outlets help Sock Shop rise 76%

BY CLARE PEARSON

PRE-TAX profits of Sock Shop International, socks, stockings and tights retailer, raced ahead to £2.21m, a 76 per cent increase, as turnover almost doubled to £14.23m in the six months to March 31.

Most of the gains came from opening new shops, but the vigorously expanding company also managed to increase sales in existing stores after Christmas, especially with the introduction of own-brand.

Earnings per share advanced by 58 per cent to 5.29p (4.04p) and an interim dividend of 1p was paid. This compares with the single final pay-out of 0.80p for previous year, the first paid after the company obtained a USM quotation in May last year.

The first half saw the start of Sock Shop's expansion outside the UK. It now has one shop in Ireland and six in New York and is negotiating for sites in France.

## Harland Simon expands and raises profit

Doubled profits were achieved by Harland Simon Group, maker of computer control systems mainly for the newspaper industry, in the year ended March 31 1988.

Turnover almost doubled to £19.62m (£10.83m) the pre-tax profit came to £1.33m (£1.15m). Earnings were 15.5p (8.4p) and the final dividend is 1.5p for a 2.4p total; 1.5p was expected at the time of flotation.

The current year had started well, the directors said. The all-round strength of the group led them to expect a successful year. The forward order position across the group was strong, and the pattern of shipments will again favour the second half.

In pursuance of its effort to penetrate other industries, the company is acquiring Fine, and Humfrey (Holdings) for £1 and the repayment of inter-company borrowings up to £550,000.

F & H serves the automotive and food processing industries and airports. In its year ended April 30 1988 it incurred substantial losses on turnover of £5.4m.

Harland Simon feels the commercial and management systems adopted in that company led to the trading difficulties, but with Harland's commercial skills a sound future was in prospect.

Sock Shop's management positively oozes confidence and for the moment at least it seems it cannot fail. Any pessimist who thought spotty socks might prove a passing fad got the com-

GROWTH OVER the group's range of activities both in London and Guernsey enabled Leopold Joseph Holdings, merchant bank, to report attributable profits doubled to £1.4m in the year to March 31.

Mr Robin Herbert, chairman, said: "It is the increasing sophistication of our approach and the undoubted quality of our service that has enabled us to advance across such a broad front." The balance sheet, he added, showed total assets of £207m reflecting

the October crash had instilled a welcome element of caution into many financial judgements, and indicators suggested that this stance was appropriate, Mr Herbert said.

Expansion costs hit profits of Basileys, Huddersfield-based cash and carry wholesaler, in the year to the end of April. Turnover up to £265.22m, against £230.66m, up £34.45p (26.65p) and a recommended final dividend of 11.571p makes a total of 14.331p.

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## COMMODITIES AND AGRICULTURE

## Rain sets Chicago grains tumbling

By Deborah Hargreaves in Chicago

GRAIN PRICES tumbled yesterday in Chicago as scattered rain gave some relief to farmers in the Midwest ahead of the release today of a US Government report assessing the state of the nation's crops.

Although the rain in the Midwest was not enough to break the two-month drought that has gripped the region, grain futures prices at the Chicago Board of Trade have already taken account of much crop damage. Traders are extremely sensitive to any rain that may improve crop yields.

The meteoric rise in maize prices has reckoned on a 20-30 per cent drop in the crop's yield down to some 500 bushels from a normal 7,500. The US Department of Agriculture report that will be released later today is expected to show a 22 per cent decline in maize yields.

The report is expected to show that crops are generally in better condition than the market had thought, and that could push grain futures prices into another nosedive.

"Right now we have a money game - the market is in a panic with all the rats heading for the same small hole in a sinking ship," said Mr Rich Feltes, grain analyst at Refco. Many speculators who have poured money into the grains this summer are rushing to take their profits now, before the market drops any further.

However, "this rain is not going to significantly improve yields," says Mr Feltes.

He believes that the maize price has passed its peak and will stabilise at a lower level, but soybeans may have room to move higher if there is little rain in August, which is a crucial time for that crop.

The Midwest maize crop is currently at a critical phase. This week, plants are pollinating themselves - a process that is hindered by temperatures above 90 degrees and a lack of moisture.

Judy Dempsey on the failure of last week's US-Soviet talks in Vienna

## Hopes still high for grain pact

THE US and the Soviet Union have ended two days of intensive talks in Vienna without reaching agreement on a new long-term grain supply pact, but both sides remain confident that differences can be resolved before the current treaty expires on September 30.

"We are narrowing (them) but considerable differences still remain," Mr Alan Hughes, head of the US delegation and a deputy US trade representative, said after the talks had broken down on Friday evening.

The outstanding issues, which were apparently not affected by the serious drought in the US which has reduced the country's grain yields, included differences

over prices, supplies, Soviet exports and Soviet access to US ports.

According to the US trade representatives, who described the talks as "candid and useful", the Soviet Union wanted an agreement which would allow it to buy grain at or below world market prices, and not at current US prices.

"This remains a sticking point," one of the US delegates said, adding that the Soviet delegation was more than reluctant to accept US prices which, the Soviets argued, were in excess of world market prices.

The Soviets were also seeking more flexibility in the amounts of grain they could purchase each

year from the US.

Under the present agreement, the Soviet Union is committed to importing each year a minimum of 5m tonnes of US maize and wheat and an additional 1m tonnes of grain, including 500,000 tonnes of soybeans or soybean meal.

In the talks, the US trade and agricultural lobbies tried to obtain from the Soviet Union a commitment to import higher quantities of grain. The Soviet delegation, however, pressed for an agreement which would allow greater flexibility on the amount of grain and other agricultural products it could buy annually from the US.

The Soviet delegation, which was led by Mr Yuri Chumakov, deputy Minister for Foreign and Economic Relations, also sought better access to US ports.

The renewal of the US-Soviet maritime agreement, which recently expired, was raised during the talks. The Soviet delegation wanted the 14 day waiting period before Soviet ships could enter US ports to be reduced.

US diplomats said it remained unclear what the Soviets wanted in the way of extending its exports to the US.

No date or venue for a fourth and probably final round of talks has yet been agreed, but diplomats said fresh talks will most likely be held during the first half of September.

## Brazilian farmers enjoy the good times

By JOHN BARNHAM in SAO PAULO

RURAL BRAZIL is enjoying a wave of prosperity that is inversely proportional to the disaster sweeping the US Midwest.

While once-booming industrial cities are suffering economic stagnation, drought-driven price rises have rounded off what was already an excellent farming year for Brazil.

Farmers have swapped over car dealerships, snapped up dash antennae and indulged themselves with all manner of imported luxury goods. A private banking representative for an international bank said farmers have replaced industrialists as

their best clients.

This year's grain harvest was a record 500m tonnes and agricultural exports should reach \$12bn just under half its exports of manufacturers.

Brazilian farmers are profiting most from the US drought. Brazil exports 20 per cent of the world's soybeans - only the US itself produces more.

Prices are rising daily, but farmers are still holding on to about one-third of their produce. Co-operatives report that their members are sufficiently well-stocked with soybeans to keep selling right up to the 1989 harvest.

Mr Sauma was speaking on

But the drought is only one factor in the rural boom. Oranges, for instance, are commanding unusually high prices; Washington's decision to reduce farm surpluses has helped to keep markets firm. The Brazilian Government has maintained strong support prices and provided farmers with ample credit; And a Congressional resolution last month to forgive small farmers their bank debts has increased the sector's prosperity all the more.

Mr Jose Eduardo Vieira, president of Banco Bamerindus, a large commercial bank, said: We have already made numerous concessions to farmers. Now, of the 3,000 who still owe us money, 90 per cent have stopped paying.

Government economists are hoping that the sudden burst of prosperity will avert a decline in the gross domestic product. Agriculture is responsible for only one-tenth of economic output and just one-third of the population works in the land. But a 5 per cent increase in farm output could be just enough to keep Brazil out of a recession.

Not all farmers are benefiting from the boom, however. Rice producers have glutted the market with a record 12m tonnes harvested, and they want the Government to subsidise their exports.

## Bad weather 'could trigger Asian food crisis'

By PETER UNGPHAKORN in BANGKOK

THE FOOD situation in the Asian Pacific region needs to be monitored closely because further bad weather could lead to a crisis, Mr Edouard Sauma, director general of the Food and Agriculture Organisation, warned yesterday.

The present monsoon started on time and is providing widespread and adequate rainfall, likely to be affected by the drought in North America, he said.

Mr Sauma was speaking on

the opening day of the FAO's regional conference, held this year in Bangkok.

In a report that generally praised the region's achievement, in boosting agricultural production, the FAO said that the rest of the world, it also warned that the increased production of cereals had been achieved at the expense of grain legumes such as beans and lentils, depriving some sections of the population of a balanced diet.

He called for agricultural methods that would achieve sustained production.

Mr Sauma also appealed to the US, although not by name, to pay its contribution to the FAO, US officials say privately they expect a decision from Washington shortly on a loan payment. The total contribution of the US was over \$100m in some 120 countries, about a quarter of the FAO's \$400m budget for two years.

The opening day of the FAO's regional conference, held this year in Bangkok.

Therefore if production is damaged again, the Asian Pacific countries will have to import at a time when rice is already in short supply and other cereals are likely to be affected by the drought in North America, he said.

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## Zimbabwean Government warned of maize shortfall

By TONY HAWKINS in HARARE

ZIMBABWEAN GRAIN producers have warned the Government that maize deliveries to the Grain Marketing Board will fall well short of the 1.15m tonnes forecast earlier this year.

Addressing the annual congress of the Grain Producers' Association, Mr John Parkin the association's president, forecast total production of 1.16m tonnes, of which about half would be delivered to the board.

He told the meeting that the area planted to maize by large-scale commercial growers

(mainly white farmers) had fallen from 280,000 hectares at independence in 1980 to 115,000 ha in 1987/88. Farmers had switched over to more profitable products such as tobacco, cotton, soybeans and beef.

Mr Parkin forecast that with a higher price than the current \$2185 (\$63) a tonne announced before the growing season starts it would be possible to increase the area under maize by 40 per cent to 160,000 ha.

His comments are unlikely to convince Zimbabwean ministers,

however, given the high cost of the large maize stockpile that Zimbabwe accumulated in 1987/88 and again in 1988/89.

Ministers believe also that the high-tech white farmers with their better access to technology and capital should move up market into export crops such as tobacco, horticulture, beef and soybeans, leaving the small-scale peasant producers to grow the bulk of the country's maize.

Mr Parkin says that the Government is subsidising consumers by paying farmers an uneconomic price, but the World Bank believes that the producer price is about right and that consumers should pay more. It also says privatisation of state-owned marketing boards could improve efficiency and reduce costs. Mr Parkin

compares Zimbabwe unfavourably with Zambia, which pays its maize 40 per cent more than Zimbabwe and charges consumers 40 per cent less.

While this argument may go down well with his maize-growing constituency, it is being poorly received elsewhere in the economy, where the need for major reductions in subsidies is increasingly acknowledged within some government ministries and in the private sector.

## WORLD COMMODITIES PRICES

## LONDON MARKETS

COCOA PRICES continued their recent advance yesterday, with the second position futures closing up 131 at £1,003. The first position closed 100 above £1,000 a tonne since March 1. Prices were higher still earlier in the day, but retreated on trade talk that the higher prices had attracted sales from Ghana and unconfirmed talk of some Ivory Coast sales. However, near months remained well supported because of lightness of good quality cocoa, dealers said. Coffee prices were also firmer, as forecasts for cold weather in Brazil prompted short-covering and long buying. dealers said. In contrast, several futures fell sharply under trade and dealer liquidation sparked by further sharp declines in US futures and European physical markets today. Traders said, the easier Chicago grain markets also sparked a fall in gold bullion prices, which closed at \$435.25 an ounce, down \$3.50.

## SPOT MARKETS

Crude oil (per barrel FOB) + or - Dubai \$12.70-2.85 -0.315 Brent Blend \$14.40-2.85 -0.23 WTI (1st oil est) \$16.10-1.52 +0.23 ICOM (2000) lots of 10 tonnes ICOM indicator prices (SDRs per tonne), Daily price for July 11: 1247.37 (1243.20). 70 day average for July 12: 1230.74 (1232.22)

COFFEE (Dmne) Close Previous High/Low

Aug 1025 975 1020 965

Sep 1125 1020 1120 1020

Oct 1125 1020 1120 1020

Nov 1125 1020 1120 1020

Dec 1125 1020 1120 1020

Turnover: 7767 (11269) lots of 10 tonnes ICOM indicator prices (SDRs per tonne) for July 11: 1247.37 (1243.20). 70 day average for July 12: 1230.74 (1232.22)

COPPER (SDRs) Close Previous High/Low

Aug 1045 1045 1045 1045

Sep 1045 1045 1045 1045

Oct 1045 1045 1045 1045

Nov 1045 1045 1045 1045

Dec 1045 1045 1045 1045

Turnover: 2075 (2000) lots of 5 tonnes ICOM indicator prices (SDRs per tonne) for July 11: 114.03 (114.02). 16 day average for July 12: 115.72 (115.13).

COCOA (SDRs) Close Previous High/Low

Aug 1020 1020 1020 1020

Sep 1020 1020 1020 1020

Oct 1020 1020 1020 1020

Nov 1020 1020 1020 1020

Dec 1020 1020 1020 1020

Turnover: 2020 (2000) lots of 5 tonnes ICOM indicator prices (SDRs per tonne) for July 11: 114.03 (114.02). 16 day average for July 12: 115.72 (115.13).

COFFEE (SDRs) Close Previous High/Low

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COFFEE (SDRs) Close Previous High/Low

Aug 1020 1

## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Dollar up despite intervention

THE US Federal Reserve joined in co-ordinated central bank intervention, in an attempt to cap the dollar's rise on the foreign exchanges yesterday, but failed to prevent another rise by the US currency.

Action by the Fed may result from continued strong growth in the US economy, according to dealers, and this was the main factor behind the dollar's strength yesterday.

The US central bank sold dollars at various times, with the currency around the DM1.4250 level, and was reported by dealers to be operating in lots of \$100m, using a combination of US and European banks. The scale of intervention was not regarded as aggressive.

The dollar rose to a nine-month high against the D-Mark, finishing in London at DM1.8455, compared with DM1.8375 on Friday. It also rose to \$1.6155 from FF16.2100, but eased to Y123.00 from Y123.20 against the generally strong Japanese yen.

According to the Bank of England, the dollar's exchange rate index rose to 98.1 from 97.8.

Once again the intervention to sell the dollar was led by the West German Bundesbank, and until the Fed was seen in the market this appeared to be confined to European central banks.

The Bank of Japan was not a seller of dollars earlier in Tokyo, and the European intervention did not involve the Bank of

England or Bank of France, according to dealers.

The French central bank was notable by its absence on the open market and at the fixing of currencies in Paris. This may have reflected concern that the franc has slipped against the D-Mark within the EMS.

Sales of dollars by the West German Bundesbank were seen throughout the day, at rates around DM1.4240, and there was also intervention at the Frankfurt fixing, when the Bundesbank sold \$15m.

In Milan the Bank of Italy sold an estimated \$50m at the fixing, and was also involved in co-ordinated intervention on the open market.

The Swiss National Bank, Belgian National Bank, Austrian National Bank and Dutch Central Bank were also seen in the market, selling dollars at various times during the day.

Apart from the US trade figures on Friday the market is now concentrating on tomorrow's Humphrey-Hawkins testimony before the Senate banking committee by Mr Alan Greenspan, chairman of the US Federal Reserve Board.

The three-month price for sterling suffered as funds moved into the strong dollar, but for most of the day traded quietly on the sidelines.

The pound lost 125 cents to \$1.6085 and declined to DM1.1175

from DM1.1275, to Y224.75 from Y226.75, to SF17.5925 from SF17.4000, and to FF10.4925 from FF10.5225.

On Bank of England figures, sterling's exchange rate index fell 2.0 to 75.0.

There was no reaction to news that seasonally adjusted UK producer input prices rose 1.8 p.c. in June, compared with 2.0 p.c. in May. The market feared that rising commodity prices would lead to another sharp rise. The published figure was reasonably encouraging against City forecasts ranging from about 1.5 p.c. to 2.5 p.c.

EMB EUROPEAN CURRENCY UNIT RATES

	Em currency	Currency	% change from	% change	Difference
July 11		July 11			
1 spot	1.0000	1.0000			
2 months	1.0242	1.0242	+0.22	+0.22	0.00
3 months	1.0242	1.0242	+0.22	+0.22	0.00
12 months	1.0242	1.0242	+0.22	+0.22	0.00

Forward premiums and discounts apply to the US dollar

Changes are for Em, therefore positive change denotes a weak currency

Adjustments calculated by Financial Times

DM1.0000 equals \$1.0000

DM1.0000 equals FF10.0000

DM1.0000 equals Y200.0000

DM1.0000 equals SF17.0000

DM1.0000 equals FF10.0000



# UNIT TRUST INFORMATION SERVICE

## INSURANCES

## UNIT TRUST INFORMATION SERVICE

Prudential Mutual Insurance Co Ltd											
16 Crosby Rd, W. Waterford, Ireland											
Man Pesa & Cap. Fd.											
Man Pesa & Cap. Fd.											
Man Pesa & Cap. Fd.											
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## UNIT TRUST INFORMATION SERVICE

## OTHER OFFSHORE FUNDS

## LONDON SHARE SERVICE

# Money Market Trust Funds

<b>The Charities Deposit Fund</b> 2 Five Street, London EC2V 5AQ Deposit.....	01-568 1815 8.50	-	01-571 3-889	<b>J. Henry Schroder Waggs &amp; Co Ltd</b> Enterprise House, Portsmouth Special Acc.....	8.5	8.52	8.60 Money £10,000 and above.....	18.75	6.72	9.2 Money
<b>Cartesio Money Management Ltd</b>										
61 Queen St, London, EC4R 1PH Cust Fed.....	03-236 1425 8.64	6.63	8.90	8.98	9.48	9.52	9.60 Money	19.69	7.441	10.201 Govt
7-Car Fund.....	9.06	9.33	9.33	9.33	9.33	9.33	9.33 Money	19.75	7.441	10.201 Govt
Dollar.....	17.75	9.95	8.10	3.88	3.88	3.88	3.88 Money	19.75	7.441	10.201 Govt
<b>Western Trust &amp; Savings Limited</b>										
The Monocacy, Plymouth PL15 West Ind. Ctry Acc.....	0732 224142 19.69	-	-	-	-	-	-	19.69	7.441	10.201 Govt
<b>Wimbleton &amp; South West Finance Co Ltd</b>										
114 Newgate St, London EC1V 7AE West Ind. Ctry Acc.....	01-566 2495 10.00	-	-	-	-	-	-	10.00	7.441	10.201 Govt
<b>NOTES</b> Gross rate to those account from composite rate of less Net actual rate after deduction of CHT for English CAST Gross equivalent to basic rate times—composite annual rate int Cr frequency interest credited										
<b>UNIT TRUST NOTES</b>										
Prices are in pounds sterling unless indicated and these designated S with no prefix refer to U.S. dollars. Yields % shown is last colmn allow for all buying expenses. Prices of certain older investments listed below subject to capital gains tax on sales. If Estimated, a distribution free of UK taxes. F Premium, previous insurance plan; S Single premium insurance. $\dagger$ Offered price includes all expenses except agent's commission. $\ddagger$ Offered price includes all expenses except agent's commission. $\ddagger$ Previous day's price. + Ex-Guaranteed. $\ddagger$ Offered price before Jersey duty. $\ddagger$ Ex-protected. $\ddagger$ Only available to certain bodies. $\ddagger$ Yield column shows annualised rates of NAV increase. $\ddagger$ ex dividend.										
<b>AAB-Allied Arab Bank Ltd</b> 97-101 Cannon St, London, EC4M 5AD NICA, MICMA.....	01-629 6802 110.00	7.66	10.601	98.92						
<b>Allithy House</b> 30 City Road, EC1Y 2AY Treasury Acc.....	01-288 6670 9.25	7.10	9.72	9.72	9.72	9.72	9.72 Money	10.00	6.91	9.25 Money
Non-Int Acc.....	9.00	6.91	9.51	9.51	9.51	9.51	9.51 Money	9.75	7.10	9.72 Money





## LONDON STOCK EXCHANGE

Account Dealing Dates		Options		Last Account	
Dealers	Dealers	Dealers	Dealers	Day	Day
Jul 4	Jul 14	Jul 15	Jul 25		
Jul 18	Jul 28	Jul 29	Aug 5		
Aug 1	Aug 11	Aug 12	Aug 22		

These deal dates may take place from 1000 on two business days earlier.

A WEEK in which the UK securities markets face a harrage of economic data from both sides of the Atlantic made an uncomfortable start yesterday with the publication of a disappointing rise in UK producer prices in June. The institutions kept out of the marketplace, and both Gilt-edged and equities closed easier at the end of a thinly-traded session.

The June producer price rise, while not far from City estimates, found a nervous reception in markets awaiting important data this week on the progress of the UK economy. Inflation concerns are focussed on Thursday, when the latest statistics on UK wages, unemployment and industrial output are due to be followed on Friday by the UK trade figures for May and the UK Retail Price Index for last month.

Equities were marked up at first as reports of central bank sales of dollars suggested that the pound might gain. However, marketmakers found no buyers in the marketplace, and prices soon turned down, and passed the rest of the day in torpor, broken only occasionally by minor erratic movements usually swiftly reversed.

The FTSE 100 Index closed 0.4 down at 1876.8, with many major sectors of the market virtually untested. Seat volume eased to 41m shares, still a respectable total by the standards of the past month, but boosted by a handful of speculative deals.

Oil stocks fared with falling crude prices, dismay over last week's North Sea rig disaster, and also apparent confirmation that the Kuwait Investment Office expects to trim its stake in British Petroleum, had an uneasy session.

However, defence stocks, led by British Aerospace, continued their response to the \$10bn Saudi contract, while properties and consumer stocks were enlivened by bid moves against Peacheay Property and BSR, the latter now a Hong Kong-based electronics company.

Government bonds passed a quiet morning but turned off later as the UK producer prices news was absorbed. Losses ranged to 1.2. "The mood of the market is such that if nothing positive comes along, then prices will drop lower," commented Mr John Sheppard of Warburg Securities.

Wostenholme Rink, the specialist chemical manufacturer, provided one of the day's outstanding features, moving ahead

strongly to close 155 higher at 500p on news of the welcome bid via a share exchange offer or cash alternative worth 410p per share from Cookson. The latter ended 4 better at 289p which puts a value of around 448p per share on Wostenholme.

Johnson Matthey, in which Cookson recently acquired a 6.3 per cent stake, eased back a few pence. However, Cookson's latest move failed to dampen to any great extent recent enthusiasm for an outright bid for Johnson Matthey.

Peacheay shares jumped sharply on the announcement that Werlshave, the Dutch property company, has already bought 10.4 per cent of the equity and may make a full bid. The market settled down to await the outcome of what is expected to be a tough negotiation between the two boards.

At 289p, Peacheay closed 79 up, but still short of the 650p price which its board is believed to have put on the group. All hinges on asset growth valuation of the Peacheay portfolio, of which 53 per cent is in retail property, with London's famed Carnaby Street as the crown.

Recent valuations by City analysts accord Peacheay a 550p asset value, based upon assumptions of 25 per cent annual growth to the end of June 1990.

The Peacheay team known as skilled negotiators, are likely to pull all the stops out, now that a bid is on the table. However, Peacheay has been in play previously as a bid target without finding a deal.

Electronics group BSR raced up to 14 to 97p after it was announced that the group had received a merger approach.

BSR shares have been strongly supported recently, with interest said to have been particularly keen from far eastern sources.

Rumours in the market suggested that a bid was most likely to come from the US, where BSR's managing director is currently travelling.

International stocks were shored up by a stronger dollar and by Press interest, but dealers were selective and marketmakers said there was a general unwillingness to take positions in uncertain conditions and ahead of the US trade figures on Friday, so that many price movements did not reflect actual trading.

Glaxo opened strongly, apparently after worded Press comments suggested that the shares would be bid for by the US. The market was due to open at 11.50p, but dealers said the stock remains vulnerable to currency swings. Reed International fell 2 to 415p on news that it had completed the sale of its European manufacturing interests to management for 522m.

The oil and gas sector remained in the doldrums dealers said, with sentiment depressed by the Piper oil rig disaster and a decline in crude oil prices which retreated some 63 cents a barrel.

Reports that the Kuwait Investment Office may be willing to reduce its 25 per cent stake in BP oil shares to 26.25 per cent, following a bid for BP by Mr Ronald Coase, and recent comments by Mr Bond suggesting that he might bid for BP, were rumoured in the event of a Bond bid Allied

might make a spoiling bid for BP.

Scottish & Newcastle fell 6 to 280p as 1.4m shares changed hands. Dealers said there was

now a general interest in lower levels and blamed the fall on lack of news. Allied Lyons featured a rise of 3 to 430p in turnover of 1.6m shares and continued speculation on a takeover. Recent comments by Mr Bond suggesting that he might bid for BP, were rumoured in the event of a Bond bid Allied

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**Continued from previous Page**

**Sales Figures** are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also straight, b-annual rate of dividend plus stock dividend, c-liquidating dividend, d-odd-cents, d-new yearly low, e-dividend declared or paid in preceding 12 months, f-dividend in Canadian funds, subject to 15% non-residence tax, g-dividend declared after split-up or stock dividend, j-dividend paid this year, o-constant, deferred, or no action taken at latest dividend meeting, k-dividend declared or paid this year, an accumulative issue with dividends in arrears, n-new issue in the past 62 weeks. The high-low range begins with the start of trading, d-next day delivery, P/E price-earnings ratio, r-dividend declared or paid in preceding 12 months, plus stock dividend, s-stock split. Dividends begin with date of split, ss-splits, t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date, u-new yearly high, v-trading halved, w-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies, x-distributed, w-within issued, w-with warrants, x-distributed or ex-rights, xss-ex-distribution, x-without warrants, y-ex-dividend and sales initial, yd-yield, z-zones in full.

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# FINANCIAL TIMES

Europe's Business Newspaper

## AMEX COMPOSITE PRICES

3pm prices  
July 11

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Stock	Div.E	100s	High	Low	Close	Chng	Stock	Div.E	100s	High	Low	Close	Chng	Stock	Div.E	100s	High	Low	Close	Chng	Stock	Div.E	100s	High	Low	Close	Chng				
AT&T	26	83	83	83	83	-	DWG	-D-D	-	73	73	73	73	-	Inddy	.50e	4	55	52	53	3	-	Prism	2	34	34	34	34	-		
AT&T Fd 12.3s	40	304	30	30	30	+	Damsco	12	451	72	71	73	-	Indcy S	.72	8	16	145	145	145	-	ProtMed	.42	2	45	45	45	+	45		
Aston	5	14	14	14	14	-	DataPd	.16	617	3-32	1-16	1-16	-	IntmRic	.11	8	53	135	135	135	-	ProtOro	.42	8	21	21	21	-	21		
AkExp	12	122	184	184	185	-	DebtM	1213	1	7	15-18	+ 1-15	-	IntlBnk	1568	4%	4	4	4	+	4	-	R-R	-	-	-	-	-	-		
AlpoW	17	10	74	73	73	-	Degrift	.16	12	2	35	35	35	-	IntTch	.268	12	117	117	117	+	17	Ragan	.12	19	5	22	22	-	22	
Alfin S	17	52	93	93	93	-	DiIard	.18	15	413	45	45	45	-	IntThr	.244	11-16	11-16	11-16	11-16	-	Ransbg	.75	45	114	107	107	-	107		
Alphain	22	52	215	215	215	-	Diodes	.33	35	34	34	34	-	IntVtr	-	-	-	-	-	-	Rear A	.92	157	343	343	343	-	343			
Alta	22	17	154	154	154	-	DomesP	.221	1-52	1-12	1-12	1-12	-	Jacobs	1.571	18	221	213	213	+	12	Riedel	.23	5	121	121	121	-	121		
Aluan	25	22	15-15	15-15	15-15	-	Duplex	.56	14	21	22	21	21	-	Jetson	.5	8	12	12	12	-	12	Rogers	.12	29	43	351	351	-	351	
Alzen	32	7	24	14	14	-	E-E	-	-	-	-	-	-	-	JohnAns	.63	53	42	42	42	+	42	Rudick	.324	12	31	22	21	-	21	
Alzys	32	7	24	14	14	-	EACI	.29	57	71	7	7	-	Khart	.26	55	42	42	42	+	42	Sage	.68	84	73	73	73	-	73		
Alzys	32	7	24	14	14	-	Eboby	.07	35	168	21	21	21	-	Kirby	.240	77	204	27	27	20	+	20	Salem	3	8	131	13	13	-	13
Alzys	32	7	24	14	14	-	Eccen	.16	57	31	32	32	-	KogenC	.240	-	-	-	-	-	-	ScandF	1.308	77	84	53	64	+	64		
Alzys	32	7	24	14	14	-	Eicher	.26	85	12	12	12	-	LeBerg	.5	51	15-15	73	73	15-15	-	ScandF	1.308	77	84	53	64	+	64		
Alzys	32	7	24	14	14	-	Empika	.26	85	24	25	25	-	LemGrv	.30	8	15	73	73	73	-	ScandF	1.308	77	84	53	64	+	64		
Alzys	32	7	24	14	14	-	ENSCO	.14	511	2%	2%	2%	-	Lester	.11	18	44	41	41	+	41	Seam	.40	5	10	54	54	-	54		
Alzys	32	7	24	14	14	-	Entel	.318	4	34	4	4	-	LewFtr	.16	53	53	53	53	-	-	Seacap	.4	31	32	32	32	-	32		
Alzys	32	7	24	14	14	-	Espay	.40	33	3	24	24	-	Lettina	.105	1	44	44	44	-	-	SilksA	.5	11	61	93	93	-	93		
Alzys	32	7	24	14	14	-	Fabind	.50	3	26	26	26	-	Lily us	.26	5	5	5	5	-	-	Spelling	.5	183	64	6	64	-	64		
Alzys	32	7	24	14	14	-	Fidate	.20	44	64	64	64	-	Lionel	.13	159	44	44	44	-	-	StHavn	.14	45	45	45	45	-	45		
Alzys	32	7	24	14	14	-	FIAmPr	.133	56	94	94	94	-	LorTel	.14	257	13	13	13	-	-	Stanwed	.52	74	74	74	74	-	74		
Alzys	32	7	24	14	14	-	FlechP	.76	28	15	15	15	-	Luxem	.48	55	125	125	125	-	-	StarID	.7	136	34	34	34	-	34		
Alzys	32	7	24	14	14	-	Fleke	.76	28	24	27	27	-	LuxemC	.30	2	194	-	-	-	-	StarSh	.15	262	64	64	64	-	64		
Alzys	32	7	24	14	14	-	Ford	.21	19	20	20	20	-	MCO Hd	.37	74	114	115	115	-	-	Synaloy	.39	198	65	65	65	-	65		
Alzys	32	7	24	14	14	-	FrogeD	.10	12	10%	10%	10%	-	MSR Dr	.14	228	14	154	154	-	-	TIE	-	-	-	-	-	-	-		
Alzys	32	7	24	14	14	-	Fruit	.20	8	24	64	64	-	MSR	.19	43	15	15	15	-	-	TIEPrD	.20	14	35	15	15	-	15		
Alzys	32	7	24	14	14	-	FurVrl	.05	6	5	34	34	-	McGing	.19	21	21	2	2	-	-	Taiwan S.11s	.51	37	38	38	38	-	38		
Alzys	32	7	24	14	14	-	G-G	-	-	-	-	-	-	Merton	.31	73	65	65	65	-	-	TechTp	.14	149	56	56	56	-	56		
Alzys	32	7	24	14	14	-	GAT	.10	30	95	95	95	-	Matrix	.14	4	17	17	17	-	-	TechTp	.14	149	56	56	56	-	56		
Alzys	32	7	24	14	14	-	GATI	.113	113	8	40	40	-	Matrix	.50	1945	75	7	7	-	-	TechTp	.14	149	56	56	56	-	56		
Alzys	32	7	24	14	14	-	GlenF	.40	15	1088	20%	20%	-	Media	.40	26	313	425	425	-	-	TechTp	.14	149	56	56	56	-	56		
Alzys	32	7	24	14	14	-	GlmnF	.70	14	251	36	36	-	Midcor	.13	38	28	28	28	-	-	TechTp	.14	149	56	56	56	-	56		
Alzys	32	7	24	14	14	-	GlobMR	.1	265	182	55	55	-	MidStr	.26	203	14	14	14	-	-	TechTp	.14	149	56	56	56	-	56		
Alzys	32	7	24	14	14	-	GlobPd	.26	42	7-15	7-15	7-15	-	MidMdm	.24	31	11	74	74	-	-	TechTp	.14	149	56	56	56	-	56		
Alzys	32	7	24	14	14	-	Gremm	.25	20	45	45	45	-	MachE	.246	10	85	10	85	-	-	TechTp	.14	149	56	56	56	-	56		
Alzys	32	7	24	14	14	-	Gremm	.25	10	5	45	45	-	MoobG	.29	13	24	15%	15%	-	-	TechTp	.14	149	56	56	56	-	56		
Alzys	32	7	24	14	14	-	GCda	.40	7	14%	14%	14%	-	MoobG	.26	10	31	11	11	-	-	TechTp	.14	149	56	56	56	-	56		
Alzys	32	7	24	14	14	-	H-H	-	-	-	-	-	-	NVRN	.1358	7	190	65	65	65	-	Unicorp	.80	109	7	65	7	+	7		
Alzys	32	7	24	14	14	-	Hampf	.6	19	9	8%	8%	-	NVPnt	.10	102	75	75	75	-	-	UnVty	.10	485	117	114	114	-	114		
Alzys	32	7	24	14	14	-	Hastro	.12	20	60	16%	16%	-	Nestent	.241	-	-	-	-	-	-	UnVty	.10	485	117	114	114	-	114		
Alzys	32	7	24	14	14	-	HastH	.12	20	60	16%	16%	-	NewLine	.48	165	74	74	74	-	-	UnVty	.10	485	117	114	114	-	114		
Alzys	32	7	24	14	14	-	HastH	.12	20	60	16%	16%	-	NitAr	.913	10	184	184	184	-	-	UnVty	.10	485	117	114	114	-	114		
Alzys	32	7	24	14	14	-	HastH	.10	10	25	21	21	-	NProc	.1474	11	257	32	32	+	32	UnVty	.10	485	117	114	114	-	114		
Alzys	32	7	24	14	14	-	HastH	.10	10	25	21	21	-	NWIGE	.11	25	25	25	25	-	-	UnVty	.10	485	117	114	114	-	114		
Alzys	32	7	24	14	14	-	HastH	.10	10	25	21	21	-	NY Time	.44	13	1277	264	264	+	264	UnVty	.10	485	117	114	114	-	114		
Alzys	32	7	24	14	14	-	HastH	.10	10	25	21	21	-	NGO G	.2	24	16%	16%	16%	-	-	UnVty	.10	485	117	114	114	-	114		
Alzys	32	7	24	14	14	-	HastH	.10	10	25	21	21	-	OdeA	.50	24	26	57	57	57	-	-	UnVty	.10	485	117	114	114	-	114	
Alzys	32	7	24	14	14	-	HastH	.10	10	25	21	21	-	OdeA	.50	24	26	27%	27%	27%	-	-	UnVty	.10	485	117	114	114	-	114	
Alzys	32	7	24	14	14	-	HastH	.10	10	25	21	21	-	OODleP	.266	8	65	65	65	65	-	-	UnVty	.10	485	117	114	114	-	114	
Alzys	32	7	24	14	14	-	HastH	.10	10	25	21	21	-	OODleP	.266	8	65	65	65	65	-	-	UnVty	.10	485	117	114	114	-	114	
Alzys	32	7	24	14	14	-	HastH	.10	10	25	21	21	-	OODleP	.266	8	65	65	65	65	-	-	UnVty	.10	485	117	114	114	-	114	
Alzys	32	7	24	14	14	-	HastH	.10	10	25	21	21	-	OODleP	.266	8	65	65	65	65	-	-	UnVty	.10	485	117	114	114	-	114	
Alzys	32	7	24	14	14	-	HastH	.10	10	25	21	21	-	OODleP	.266	8	65	65	65	65	-	-	UnVty	.10	485	117	114	114	-	114	
Alzys	32	7	24	14	14	-	HastH	.10	10	25	21	21	-	OODleP	.266	8	65	65	65	65	-	-	UnVty	.10	485	117	114	114	-	114	
Alzys	32	7	24	14	14	-	HastH	.10	10	25	21	21	-	OODleP	.266	8	65	65	65	65	-	-	UnVty	.10	485	117	114	114	-	114	
Alzys	32	7	24	14	14	-	HastH	.10	10	25	21	21	-	OODleP	.266	8	65	65	65</												

## OVER-THE-COUNTER

*Nasdaq national market, 3pm prices July 1*

**Continued on Page 41**

## AMERICA

## Dow underpinned by hope of good company results

## Wall Street

AFTER last Friday's sharp falls on overheating worries after the release of the latest unemployment figures, both equities and bonds consolidated yesterday at the start of a week which sees the publication of the latest trade figures, writes Janet Bush in New York.

At 2pm, the Dow Jones Industrial Average stood 0.78 points higher at 2,115.33 on low volume of only about 75m shares.

US Treasury bond prices rose modestly to be quoted as much as 1% point higher at mid-session. The Treasury's benchmark long bond was quoted 1 point higher for a yield of 9.07% per cent.

June's unemployment report, which showed a jump of 346,000 in the non-farm payroll, had markets in the grip of inflation worries once again and triggered strong speculation that the US Federal Reserve would move again to snug monetary policy.

The unemployment figures came against a background of rising commodity prices last week, including crude oil.

Speculation which helped the bond market in particular was a reversal in the upward move in commodity prices, with the Commodity Research Bureau's futures index plumping nearly 5% points. Corn and soybean futures opened sharply lower and hovered near limit down levels and crude oil and gold futures also fell significantly.

Part of the fall in agricultural commodity prices was attributed to rain in Iowa over the weekend. Movements in commodity prices will, on a day to day basis, continue to exert a strong influence on fluctuations in the bond

market. However, two important issues are likely to dominate discussion this week. One focus will be on the Fed's operations in the money market to see whether any firming in policy is taking place. The second key issue will be the performance of the dollar, particularly on Friday when May's trade figures are released.

It was the smaller-than-expected seasonally adjusted deficit of \$9.8bn in April which provided the basis for inflows into the dollar in recent weeks and the dollar has remained strong in spite of some efforts to smooth its rise by Group of Seven central banks.

There were reports that the Bundesbank had been selling dollars again, and in New York traders said the New York Fed had been detected selling modest amounts of US currency.

Forecasts for May's trade performance are for a deficit of between \$10bn and \$12bn on a seasonally adjusted basis.

One factor keeping the equity market underpinned is the expectation that second quarter corporate earnings should show healthy gains. A series of big results announcements are coming up this week.

Among announcements yesterday was news that MGM-UA Communications and Barris Industries had reached an agreement with Tracinda Corp, MGM-UA's controlling shareholder, under which MGM's motion picture and television production subsidiaries would be spun off through a rights issue to MGM-UA shareholders.

MGM fell 1% to \$14.40 after the news while Barris added 1% to \$39 in over-the-counter trading.

Amfam jumped 1% to \$46.50 after the company said it had received an approach about a

buy-out which would rival the \$41 a share bid already made by a management group. US press reports focused on Castle & Cooke which had added 3% to \$26.40 by mid-session.

Corning Glass Works rose 2% to \$58.30. The company announced that it had reached a preliminary agreement with Asahi Glass of Japan to establish a joint venture to make television bulb glass in the US, Europe and Mexico. The deal is expected to be finalised in October.

Michigan Energy, the gas utility, jumped 2% to \$31.50 after it said it was considering selling the company or seeking a merger.

Among blue chips, International Business Machines added 3% to \$127, General Electric stood 5% higher at \$43. American Telephone & Telegraph was unchanged at \$26.40 and Merck was up 3% to \$34.50.

## Canada

DECLINES by gold and energy issues were offset by slight gains recorded by metals and industrial, leaving share prices marginally lower at mid-session.

The composite index dropped 2.70 to 3,454.00 as declines outnumbered advances by 281 to 235 on volume of 9.2m shares.

CAR Industries, which on Friday said it would buy Singer's Link division, was most active and climbed C\$10 to C\$10.70.

Among other actives, Cominco was unchanged at C\$22. Novacore C\$4 to C\$13 and Canadian Occidental lost C\$4 to C\$17. Among golds, Corona lost C\$4 to C\$9. Lemac declined C\$4 to C\$15.

BY MOST conventional measures – market capitalisation, number of quoted companies, turnover – the Australian stock exchange is the largest in the Asia-Pacific region after Japan and comparable with the most important continental European exchanges.

Unlike them, however, it has six different trading floors – in Sydney and Melbourne, which are the most important, and in Brisbane, Perth, Adelaide and Hobart. Formerly state-level exchanges, these were only amalgamated into a single entity in April 1987.

Since reaching its low point of the year on February 10, the market has slowly strengthened. By early June it had recovered to levels last seen in the week immediately after last October's shattering share market crash, and yesterday it reached a new high for the year.

The All Ordinaries index, the only widely-watched indicator, was the All Ordinaries index, covering some 300 companies and about 85 per cent of the market capitalisation of domestic stocks. Altogether 1,406 domestic companies are quoted on the main

## MARKET PROFILE

Client (15)	Ally (10)	Anglo (45)	Argentina (1)	Bulgaria (1)	China (1)	Colombia (1)	Costa Rica (1)	Ecuador (1)	El Salvador (1)	Guatemala (1)	Honduras (1)	India (1)	Indonesia (1)	Iran (1)	Iraq (1)	Italy (1)	Jordan (1)	Kuwait (1)	Lebanon (1)	Morocco (1)	Peru (1)	Philippines (1)	Qatar (1)	Russia (1)	Saudi Arabia (1)	Singapore (1)	South Africa (1)	Spain (1)	Sweden (1)	Turkey (1)	Uganda (1)	Ukraine (1)	U.S. (1)	U.S.S.R. (1)	Yemen (1)	Zambia (1)

## Australia

board, and 32 foreign ones. Market capitalisation, including convertible notes and overseas equities, amounts to A\$212.5bn (US\$170bn). The top 10 stocks account for 26.5 per cent of the market. There are no reliable estimates for the percentage of the total market capitalisation which is freely tradable.

The Sydney and Melbourne trading floors open for just three-and-a-half hours a day in two sessions, from 9am to 12.15pm and from 2pm to 3.15pm. Computerised trading of a growing number of stocks contin-

ues until 5 pm. The Perth exchange operates on a different time zone, while certain Australian stocks are also traded in centres like New York, London and Tokyo.

Volumes this year have been sharply lower compared with the days of the bull market. They have tended to be in the main defined conditions, two dealers can trade up to 5 pm. Daily turnover, first six months 1988, about A\$170m.

Main index: All Ordinaries index (covers 300 stocks, equalling 85% of total domestic market capitalisation).

Current level of index: 1,629.1; 1988 high: 1,629.1 (11/7).

1988 low: 1,170.7 (10/2).

Settlement: usually within one month.

Address: The Australian Stock Exchange, Level 9, Pitcairn Building, Australian Square, Sydney, NSW 2000. Telephone (01) 233 333 333.

## STOCK MARKET FACT CHART AUSTRALIA

Market capitalisation: A\$212.5bn (\$1 = A\$1.25, £1 = A\$2.75) Number of shares listed on main board: 1,438 Top 10 stocks, percentage of market: 28.5% Trading hours: official – 10 am–12.15 pm and 2 pm–3.15 pm. Computerised trading from 9am to 5pm. After hours – in certain defined conditions, two dealers can trade up to 5pm Daily turnover, first six months 1988: about A\$170m. Main index: All Ordinaries index (covers 300 stocks, equalling 85% of total domestic market capitalisation).

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There is a standard withholding tax on dividends of 30 per cent, which reduces to 15 per cent where the dividends are paid to tax-treaty countries – typically countries within the Organisation for Economic Cooperation and Development.

A profile of the Milan market appeared in last Friday's paper. Tomorrow the profile will be of New Zealand.

Chris Sherwell

## SOUTH AFRICA

## Tokyo

A WEAK local currency and continued demand for quality stocks lent support to gold shares, which closed mixed after spending the day drifting around recent highs.

Trading was substantially less active than last week, with little foreign selling.

Among others, Bechtel firmed 75 cents to Y14.50 and heavyweight Randfontein fell 10 to Y22.50. Freescale was unchanged at Y13.75 and Elan closed up 25 cents to Y13.25.

Coal shares were strong, reflecting the belief that the local coal industry will benefit from the strikes in the Australian coal industry. Goldfields Coal rose 90 cents higher to Y27.50.

The Nikkei average ended 68.91 points higher at 27,985.99 after moving between a high of 28,044.17 and a low of 27,880.93. Volume totalled 1,060m shares compared with Friday's 1,638m. Advances led declines by 470 to 389, with 199 issues unchanged.

Investors were somewhat depressed by falls in bond prices, caused by a remarkable improvement in the US unemployment rate and the dollar's rise.

They were also keenly awaiting the release of US merchandise trade data for May, due on Friday. There are signs of a considerably expanded deficit after larger-than-expected improvements in both March and April, in which case the dollar could encounter heavy selling.

Other important events this week which may affect the stock market include a meeting of the council of the West German

Bundesbank on Thursday.

On the trading floor, NKK and Nippon Steel attracted strong buying interest. NKK topped the active list with 145.15m shares changing hands and rose 9 to Y9. Y9. Yess Nippon Steel, the second biggest issue with 133.73m shares, added Y22 to Y68.

But other large-capital stocks shed poorly, with Kawasaki Steel shedding 10 to Y22 and Kobe Steel Y18 to Y27.

Among heavy electricals, Toshiba, third most active with 61.75m shares, finished Y5 higher at Y1,040, but Mitsubishi Electric and Hitachi fell Y14 to Y96 and Y10 to Y1,500 respectively.

The Osaka market closed slightly higher, although some selling still took ground. The 250-share All Ordinaries index closed 1.56 higher at Y7,985.14 on a sharply lower volume of 50.1m shares, down 5.4m from Friday.

Bond prices eased amid uncertainty over the market's direction, with the yield on the benchmark 5.0 per cent government bond, maturing in December 1997, rising above 5 per cent again.

The benchmark issue was bought at one stage on the prospect that the US economy would slow down. But dealers later curbed both buying and selling on the basis of the dollar's strength against the yen. As a result, the yield ended at 5.045 per cent, up from 4.94 per cent at Friday's close.

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## ASIA

## Falling bonds restrict Nikkei's rise

## Tokyo

SELECTIVE buying took share prices slightly higher in Tokyo yesterday, but nervousness over falls in the bond market left trading lacklustre, writes Shigeo Nishizuka of *Yomiuri* Press.

The Nikkei average ended 68.91 points higher at 27,985.99 after moving between a high of 28,044.17 and a low of 27,880.93. Volume totalled 1,060m shares compared with Friday's 1,638m. Advances led declines by 470 to 389, with 199 issues unchanged.

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## Australia

A SURGE in foreign demand for high-tech industrial products sent the market to a post-crash high in moderate trading of A\$204m. In its fifth consecutive strong gain, the All Ordinaries index closed 1.56 higher at 1,629.1, beating the June 20 high of 1,629.1.

BHP saw heavy trading of 2,13m shares, rising a sharp 30

## Singapore

TRADING was subdued and shares made limited gains on local demand, with the Hang Seng up 6.69 at 2,758.52. Volume fell to 6,750m on volumes of HK\$72m, Sun Hung Kai added 10 cents to HK\$1.90 and Hongkong Land gained 5 cents to HK\$8.05.

Properties saw the most activity as Cheung Kong rose 10 cents to HK\$8.20 on volumes of HK\$72m, Sun Hung Kai added 10 cents to HK\$1.90 and Hongkong Land gained 5 cents to HK\$8.05.

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